

Washington State Auditor's Office
Financial Statements Audit Report

King County

Audit Period
January 1, 2010 through December 31, 2010

Report No. 1006047

Issue Date
July 26, 2011



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

July 26, 2011

Council and Executive
King County
Seattle, Washington

Report on Financial Statements

Please find attached our report on King County's financial statements.

We are issuing this report in order to provide information on the County's financial condition.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Schedule of Audit Findings and Responses

King County January 1, 2010 through December 31, 2010

1. **King County should continue to strengthen its internal controls to ensure accurate accounting and financial reporting.**

Background

County management, the state Legislature, state and federal agencies and bondholders rely on the information included in the financial statements and reports to make decisions. It is the responsibility of the County management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. Controls must ensure that financial data is reliably authorized, processed and reported. Our audit identified significant deficiencies in controls that adversely affect the County's ability to produce reliable financial statements.

Government Auditing Standards, prescribed by the Comptroller General of the United States, require the auditor to communicate significant deficiencies, as defined below in the Applicable Laws and Regulations section, as a finding.

Description of Condition

We reported similar findings for the County during audits of its 2009, 2008 and 2005 financial statements. The County has improved documentation of the financial statement preparation process and is providing more timely financial information. However, the following significant deficiencies in controls over financial reporting persist:

- The County's financial statement process is complex. The County's year-end financial statements are prepared by multiple employees, each of whom prepares a different section. When many people and departments are involved in a process, the risk that the County's financial statements could contain material misstatements or errors is increased because of the additional coordination and review necessary to ensure the financial statements are accurate and complete. We noted the County did not perform a sufficiently detailed review and reconciliation of the financial statements to ensure they were accurate and complete.
- The County prepares and submits for audit a comprehensive annual financial report (CAFR) in a Governmental Accounting Standards Board Statement No. 34 reporting format. These types of statements are complex and require employees from various departments to have a high level of understanding of the accounting principles required and the relationship the statements have to each other. The County requested the financial statement audit be completed by June 30, and provided financial statements and notes on April 18, 2011. The County subsequently provided the final reporting package, including changes identified

by our audit, as well as changes identified by an outside auditing firm for the Water Quality Fund and Public Transportation Fund, on July 6, 2011.

- As part of our standard procedures, we ensure the financial statements agree to the underlying accounting records (the general ledger). The County was unable to provide a list of funds, accounts and functions that rolled up into each financial statement balance. The Principal Accountants had to re-create the financial statement balances based on queries in the accounting system. It took approximately three weeks for the County to provide this information that should be readily available.
- The County's process for the roll-up of balances from the fund statements to the government-wide statements consists of a 67-tab spreadsheet workbook for the balance sheet. The government-wide statements represent totals for the entire county and are based on individual statements for each fund. The totals of the individual statements are then adjusted as necessary to comply with accounting requirements for government-wide reporting. We were unable to rely on this process to ensure the government-wide statements accurately reflected amounts in the individual funds. The County relies on the principal accountants to properly prepare the financial statements and we remain concerned about the level of oversight for the review of these statements
- A component of the financial statement preparation includes the post closing journal entries. The journal entries are prepared by the principal accountants and should be reviewed for accuracy and approved prior to entry into the financial statements. However, the County is not consistently following this procedure.

Cause of Condition

The County's controls over preparation of the financial statements do not make adequate allowance for the complexity of its accounting function. The County's internal controls lack sufficient monitoring and review to ensure the financial information provided for audit is accurate and complete, as well as the time necessary to appropriately perform these functions. The County has high expectations for meeting certain reporting deadlines; however, this is unrealistic given its current financial reporting processes.

Effect of Condition

The original financial statements and subsequent revisions we received for audit contained misstatements. We identified the following procedural issues and significant errors:

Procedural Issues

- Two instances of post-closing journal entries totaling \$5,755,027 were recorded in the CAFR without prior review and approval which is not in accordance with County procedure. The entries were reviewed and approved two-and-a-half weeks after the CAFR was provided for audit.

- In addition, \$44 million in current expenditures was moved to capital outlay without creating a post-closing journal entry which is also not in accordance with County procedure.

Significant Accounting Errors

- Although the County asserted the journal entries noted above were reflected in the statements provided for audit, we noted \$1,394,100 of these journal entries was not reported resulting in an overstatement of the Due to Other Governments balance in the General Fund. The County corrected this error.
- During testing of Cash and Investments, we noted they were understated by \$6,219,579.
- The County made an inappropriate prior year adjustment of \$571,684 to Construction Work In Progress (WIP). We also found \$2,679 difference in what the County reported and accounting system expenditures that were excluded from the WIP schedule. The total \$574,363 amount should be recorded as an addition to Improvements Other than Buildings and begin to be depreciated in fiscal year 2011.

The County corrected nine of 30 additional, less significant errors.

The deficiencies in internal controls make it reasonably possible that more serious misstatements could occur and not be prevented or detected by the County in the future. None of the errors noted were material to the fair presentation of the financial statements.

Recommendation

We recommend the County:

- Dedicate sufficient resources to ensure accurate, complete and timely preparation of its financial statements.
- Provide adequate oversight of staff to ensure the financial statement process, CAFR and closing journal entries are accurate, complete and in accordance with County procedures.
- Perform a detailed review and reconciliation of all journal entries, the financial statements and notes.
- Continue to improve policies and procedures to ensure assets are reported and recorded timely to ensure WIP and capital assets are correctly reported, as well as, the associated accumulated depreciation and depreciation expense.

County's Response

We concur with the auditor's assessment that no material errors were noted, that the county has improved processes, and that we need to make further improvements. The county appreciates the auditor's acknowledgement of improvements in the county's

documentation of the process for preparing the financial statements and providing timely information for the current and previous audits.

The county is nationally recognized for the high quality of its financial reporting. For the last 29 years, the county has received an award from the Government Finance Officers Association for excellence in financial reporting. The county could not have consistently achieved this award without having strong internal controls and an emphasis on ensuring the accuracy and completeness of the financial statements.

We respectfully agree and disagree with portions of the Description of Conditions in this finding as follows:

- Complexity of Reporting Process: We fully acknowledge the complexity inherent in the preparation of the county's financial statements, which combine data from two separate financial systems. This is why the county uses special reconciliation spreadsheets, industry standard checklists, and custom designed checklists to facilitate the financial statement review and preparation process. As noted by the auditor, we have improved the documentation of the financial statement preparation process to further strengthen controls. In January 2012, the county will be replacing its two older financial systems with a single, modern financial system which will reduce the complexity, enhance the quality and improve the timeliness of the financial reporting process.
- Reconciling Financial Statements to General Ledger: The finding states that the auditor could not easily tie the financial statements to the underlying accounting records (the general ledger) and that it took the county three weeks to provide this information when it should have been readily available. We disagree with this characterization. County staff did not initially understand the scope of information requested by the auditor and this inadvertently delayed the county's response when the information was readily available. To alleviate this issue in the future, the county will deliver to the auditor the detailed roll-up information from the general ledger to the financial statements when we provide the initial CAFR.
- Reconciling Individual Funds to Government-wide Statements: The auditor is critical of the spreadsheet workbook the county uses to ensure that the individual fund statements roll-up to the government wide statements. The auditor identified no errors occurring in this process. The use of the spreadsheet has been in effect for nine years and is viewed as a critical internal control tool to help address, diagnose and fix problems when preparing the financial statements. Of the 67 tabs in the worksheet, six are fundamental to summarizing the individual fund statements and making entries required by accounting standards and three others provide additional support details. The other tabs are reference information used throughout the process to insure the financial statements are accurate.
- Oversight of Post-Closing Entries: We agree that we need to focus increased attention on the timely approval of post closing journal entries and providing enhanced oversight of principal accountants who prepare these entries and the financial statements.

To further address the auditor's recommendations, we will continue to improve the transparency between the data sources used to prepare the financial statements and the data sources used by the auditor to review the financial statements. We will also work

with the auditor to develop a detailed plan for the delivery of information to ensure there are mutually understood expectations about the scope of requests and to facilitate the earliest possible delivery of the auditor's report.

The following table summarizes the impact of the five items noted, which are inconsequential to and have no material effect on the county's financial statements. In particular, the \$44 million item to reclassify certain expenditures to capital outlay was a standard worksheet entry to account for an entry approved in the closing process.

<i>Category</i>	<i>Finding Amount</i>	<i>Effect on Total Net Assets</i>	<i>Effect on General Fund Net Assets</i>	<i>Effect on Budgetary Compliance</i>	<i>Additional Comments</i>
<i>Procedural Issue Approval of transaction that appropriately corrected interest receivable and due to other governments.</i>	<i>\$5.7 million</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>We concur that the approval of the transaction was late. This is a standard adjustment made each year when preparing the financial statements.</i>
<i>Procedural Issue Approval of transaction that appropriately reclassified functional expenditures to capital outlays to agree with an approved transaction to record assets.</i>	<i>\$44 million</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>We concur an accountant made a spreadsheet reclassification of expenditures, which was required due to an approved transaction. In future audits, we will also prepare a post-closing entry.</i>
<i>Due to other government understatement correction.</i>	<i>\$1,394,100</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>We concur. The entry had no effect on net assets because it reflects a pass-through of interest where the amount owed is equal to the amount projected to be received.</i>
<i>Financial statement cash understatement</i>	<i>\$6.2 million</i>	<i>0.14 percent</i>	<i>None</i>	<i>None</i>	<i>We concur with the auditor's assessment that this item is not material to the county's financial statements. The county is following up on this variance.</i>
<i>Asset capitalization adjustment</i>	<i>\$571,684</i>	<i>0.01 percent</i>	<i>None</i>	<i>None</i>	<i>We concur. Amount is immaterial to fair presentation.</i>

Auditor's Remarks

We thank the County for the assistance we received during the audit. We have considered the County's response and reaffirm our finding.

Applicable Laws and Regulations

RCW 43.09.200 states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Budgeting, Accounting and Reporting System (BARS) Manual - Part 3, Accounting, Chapter 1, Accounting Principles and General Procedures, Section B, Internal Control, states:

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations and policies.

Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

Government Auditing Standards, July 2007 Revision – Section 5.11 provides that auditors should report material weaknesses and significant deficiencies in internal control.

The American Institute of Certified Public Accountants, Statement on Auditing Standards No. 115 defines significant deficiencies and material weaknesses as follows:

- a. Significant deficiency: A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- b. Material weakness: A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Schedule of Audit Findings and Responses

King County January 1, 2010 through December 31, 2010

2. **King County does not have adequate internal controls to ensure accurate accounting and financial reporting for capital assets in the Public Transportation Enterprise fund.**

Background

County management, its Council, taxpayers, bondholders, creditors, banks, the state Legislature, and state and federal agencies rely on information in financial statements and reports to make decisions. It is the responsibility of County management to design and follow effective internal controls to provide reasonable assurance regarding the reliability of financial reporting.

Government Auditing Standards, prescribed by the Comptroller General of the United States, require the auditor to communicate material weaknesses and significant deficiencies in internal controls over financial reporting, as defined in the Applicable Laws and Regulations section below, as audit findings.

The Public Transportation Enterprise fund is included in King County's financial statements, which were audited by a certified public accounting (CPA) firm that provided its reports to our Office. In our audit work on the County's financial statements, we are relying on the CPA firm's audit work related to the fund and are including its findings in our report. The CPA firm identified a significant deficiency in internal controls that have the potential to adversely affect the County's ability to prepare accurate financial statements.

Description of Condition

The CPA firm identified the following significant deficiency in internal controls in its communication to the County:

Internal controls for recording and monitoring of records surrounding capital assets should be established. Specifically, existing processes and controls in place need improvements in the following areas: review of reconciliations between the FAS system and the general ledger, closing and transferring completed projects from CIP to capital assets, and proper and timely retirement of assets; we noted significant errors in various accounts during our internal control and substantive testing.

Cause of Condition

The CPA firm identified the following causes in its communication to County management:

Capital Assets, which include the work in progress (WIP) account, is one of Metro Transit's largest and most complex financial statement accounts. We performed audit

procedures and tests on WIP, additions, overhead allocation, capitalized interest, retirements and depreciation. As a result of our testing procedures, we noted certain errors.

Effect of Condition

The CPA firm noted the following effects on the financial statements from the control deficiencies mentioned above:

- *Reconciliation of the FAS to the general ledger* – We identified \$13 million in vehicles that were improperly retired from the capital asset account. During 2009, \$13 million in vehicles were erroneously capitalized twice; such error was corrected by Metro Transit staff in the general ledger during the fiscal 2009 year; however, it was not corrected in FAS until 2010, which created a duplicate entry. In order to correct the duplicate entry in FAS, the vehicles were improperly retired again in 2010.

In addition, as part of our audit procedures, we compared the balances recorded in FAS to the general ledger noting a difference. It is our understanding that the reconciliation is performed on a monthly basis; however, it appears that the reconciliation is not properly performed or adequately reviewed to ensure that reconciling items are resolved. Due to the lack of controls over the monthly reconciliation process, a difference between FAS and the general ledger was identified at year end, resulting in an adjustment of \$3,584,600.

- *Retirement of replaced or idle equipment* – When new assets are placed into service, all related assets that are replaced should be identified and communicated to the fixed asset accountant for removal. We identified one project in which old assets should have been retired when replaced by new assets in the current year.

Recommendation

The CPA firm had the following recommendations for the County:

We recommend that Metro Transit establish procedures and assign responsibilities accordingly for reviewing and monitoring the transactions and the activity surrounding construction work in progress and assets in service. Given the scale of the current projects in progress, we recommend that the same individual also serve as a liaison between the project managers and the accounting and finance departments to ensure timely transfers of projects to in service status. In addition, that individual would be responsible for reviewing monthly reconciliations from the FAS system to the general ledger and for ensuring proper classification of projects in the financial statements at year end.

County's Response

Management's Response: *We agree.*

In 2009, a set of fourteen buses was added to the detail asset system twice. The error was detected and corrected for the 2009 financial statements. The follow-up steps in

2010 should have included removal of one of the two sets of buses from the detail asset records and a simultaneous reversal of the 2009 financial statement correction which would offset the effect of the asset removal. The financial statement reversal was not performed. To prevent future errors of this type, when a financial statement accrual requires a reversal, the reversal entry will be made immediately as the standard practice. To provide additional perspective, the fourteen buses are approximately 1.0 percent of Transit buses and 1.5 percent of Transit net depreciable asset value.

Timeliness for capitalization of real and personal property passing through the work in progress projects will be monitored on a monthly basis by Transit and reviewed at least quarterly in the monthly Transit-Finance status meetings. Additionally, Finance commits to monthly reconciliations of the capital asset system to the general ledger. These will be reviewed by both a Finance accounting supervisor and Transit designated staff.

Transit has designated staff to review and monitor transactions and activity surrounding (1) construction work in progress, (2) discrete assets as they are placed into service, and (3) the retirement of capital items in part or whole. The individual responsible for the oversight of the capital program will be the liaison between project managers, Transit accounting and Finance to ensure projects placed into service, are identified for capitalization in the fixed asset records in a timely manner. In consultation with Finance and Transit accounting, staff will review general ledger updates ensuring proper classification of projects in the financial statements at year end.

Auditor's Remarks

We appreciate the County's commitment to updating their policies and procedures and we will review the County's corrective action during our next audit.

Applicable Laws and Regulations

Although the CPA firm did not specify the laws and regulations used in their audit report, the following laws and regulations were applicable to the financial statement audit of the King County Public Transportation Enterprise Fund:

RCW 43.09.200 states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use and disposition of all public property, and the income, if any, derived there from; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published

or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

Budgeting, Accounting and Reporting System (BARS) Manual - Part 3, Accounting, Chapter 1, Accounting Principles and General Procedures, Section B, Internal Control, states:

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations and policies.

Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

Government Auditing Standards, July 2007 Revision – Section 5.11 provides that auditors should report material weaknesses and significant deficiencies in internal control.

The American Institute of Certified Public Accountants, Statement on Auditing Standards No. 115 defines significant deficiencies and material weaknesses as follows:

- a. Significant deficiency: A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- b. Material weakness: A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Status of Prior Audit Findings

King County January 1, 2010 through December 31, 2010

The status of findings contained in the prior years' audit reports of King County is provided below:

1. **King County should continue to strengthen its internal controls to ensure complete accounting and financial reporting.**

Report No. 1004330, dated September 30, 2010

Background

We issued a similar finding to the County during the previous audit of its 2008 and 2005 financial statements. The County has improved its documentation of the financial statement preparation process and provided more timely financial information for the current audit. However, the following significant deficiencies in controls over financial reporting persist:

- The County's financial statement process is complex. The County's year-end financial statements are prepared by multiple employees, each of whom prepares a different section of the statements. When many people and departments are involved in a process, the risk that the County's financial statements could contain material misstatements or errors is increased. We noted the County did not perform a sufficiently detailed review and reconciliation of the financial statements to ensure the statements were accurate and complete.
- The County prepares and submits for audit a comprehensive annual financial report (CAFR) in a Governmental Accounting Standards Board Statement No. 34 reporting format. These types of statements are complex and require employees from various departments to have a high level of understanding of the accounting principles required and the relationship the statements have to one another. The County requested the financial statement audit be completed by June 30, and provided financial statements and notes on April 15, 2010. The County subsequently provided the final reporting package, including changes identified by our audit, as well as changes identified by an outside auditing firm for the Water Quality Fund, on September 1, 2010. The delay caused by the Water Quality Audit was the significant contributing factor to the County's inability to timely complete and produce a single, final set of financial statements and notes.
- The County does not perform a final accounting for the County's capital asset projects in a timely manner. The County does not have a policy that states at what point a project will be moved from the Work in Progress (WIP) account to the appropriate capital asset account. Currently, projects are moved at the discretion of employees. Also, the County's financial or accounting management does not monitor this process.

- The County does not have an adequate reconciliation process over escrow accounts to ensure all funds are accounted for. The County reported only the 2009 additions to escrow accounts on the Statement of Fiduciary Net Assets rather than the ending account balances in accordance with accounting standards. County employees were unsure which balances to report. Additionally, the initial list of escrow accounts the County provided did not include 12 accounts. Further, we were unable to confirm six accounts because the banks indicated the accounts had been closed. One account of \$10,665 was omitted because the County mistakenly thought the account was closed. We determined another account's actual balance was \$882,935 more than the County's recorded balance because other entities made deposits into the account without the County's knowledge. Funds held in escrow for King County projects should be maintained separately from all other funds.

The County receives approximately \$250 million in federal grant funds each year. The County has not adequately communicated information and applicable reporting requirements to its departments that spend grant funds. Additionally, the County does not perform a sufficiently detailed review and reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) that employees prepare to ensure it is accurate, complete and adequately supported.

Status

The condition reported during the 2009 audit has not been resolved. Our audit identified a significant deficiency in internal controls over accounting and financial reporting, see Finding 1.

2. King County does not have adequate internal controls to ensure accurate accounting and financial reporting for the Water Quality Enterprise fund.

Report No. 1004330, dated September 30, 2010

Background

The CPA firm identified the following material weaknesses in internal controls in its communication to the County:

- There is a lack of formal documentation of accounting policies and procedures specific to Water Quality. Existing County policies do not provide sufficient guidance for the appropriate treatment of complex accounting matters and transactions.
- Controls over capital assets are not robust and do not prevent or detect material errors in the identification, classification, and depreciation of capital assets.

Additionally, the CPA firm identified the following significant deficiency in internal controls in their report to the County:

- Management's review of account classification and reconciliations needs improvement; we noted significant errors in various accounts during our substantive testing.

Status

Based on our review of the CPA firm audit, this issue appears to be resolved.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

King County
January 1, 2010 through December 31, 2010

Council and Executive
King County
Seattle, Washington

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County, Washington, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 19, 2011. During the year ended December 31, 2010, the County implemented Governmental Accounting Standards Board Statement No. 51 - *Accounting and Financial Reporting for Intangible Assets*. Our report was modified to include a reference to other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Building Development and Management Corporations, Water Quality Enterprise and Public Transportation funds, as described in our report on the County's financial statements. Those financial statements were not audited in accordance with *Government Auditing Standards*. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting that has been reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Audit Findings and Responses as Findings 1 and 2 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's response to the findings identified in our audit is described in the accompanying Schedules of Audit Findings and Responses. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management and the Council. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", is positioned above the printed name and title.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 19, 2011

Independent Auditor's Report on Financial Statements

King County January 1, 2010 through December 31, 2010

Council and Executive
King County
Seattle, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County, Washington, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed on page 18. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Building Development and Management Corporations fund which represent 10 percent, -0.9 percent and 2 percent, respectively of the assets, net assets and revenues of the governmental activities, and 5 percent, -0.5 percent and 0.2 percent, respectively, of the assets, net assets and revenues of the aggregate remaining fund information. We did not audit the financial statements of the Water Quality Enterprise Fund, a major fund, which additionally represents 67 percent, 25 percent and 27 percent, respectively, of the assets, net assets and revenues of the business-type activities. We also did not audit the financial statements of the Public Transportation Fund, a major fund, which additionally represents 27 percent, 65 percent and 60 percent, respectively, of the assets, net assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Building Development and Management Corporations, the Water Quality Enterprise and Public Transportation funds, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Building Development and Management Corporations, Water Quality Enterprise and Public Transportation funds were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented

component units, each major fund and the aggregate remaining fund information of King County, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Public Health funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2010, the County implemented Governmental Accounting Standards Board Statement No. 51 - *Accounting and Financial Reporting for Intangible Assets*.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 19 through 33, condition assessments and preservation of infrastructure eligible for modified approach on pages 127 through 129 and information on postemployment health care plan on page 129 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag", is positioned above the printed name and title.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 19, 2011

Financial Section

King County January 1, 2010 through December 31, 2010

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis – 2010

BASIC FINANCIAL STATEMENTS

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Statement of Activities – 2010
Balance Sheet – Governmental Funds – 2010
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2010
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2010
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – 2010
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Public Health Fund – 2010
Statement of Net Assets – Proprietary Funds – 2010
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds – 2010
Statement of Cash Flows – Proprietary Funds – 2010
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Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach – 2010
Postemployment Health Care Plan – Schedule of Funding Progress for the Plan – 2010

SUPPLEMENTAL INFORMATION

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Notes to Schedule of Expenditures of Federal Awards – 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of King County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the County for the year ended December 31, 2010. We encourage readers to consider this information in conjunction with that furnished in the letter of transmittal, which can be found preceding this narrative, and with the County's financial statements and notes to the financial statements, which follow.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

- As of December 31, 2010, the assets of the County exceeded its liabilities by \$4,415.3 million (net assets). Because most of the County's net assets are either invested in capital assets or restricted as to use, the combined unrestricted net assets was \$188.0 million at the end of the year.
- In 2010, the County's total net assets increased by 2.5 percent (\$108.9 million). The governmental net assets increased by 3.4 percent (\$73.7 million), and the business-type net assets increased by 1.6 percent (\$35.2 million).
- As of December 31, 2010, the County's governmental funds reported combined ending fund balances of \$565.4 million. Approximately 80.3 percent (\$453.9 million) is unreserved fund balance available for spending at the government's discretion within the purposes specified for the County's funds.
- At the end of 2010 the unreserved, undesignated fund balance for the General Fund was \$67.6 million, amounting to 11.5 percent of total General Fund expenditures. Total fund balance for the General Fund increased 7.1 percent (\$5.8 million) for the year.
- The County's total bonded debt increased by 10.2 percent (\$432.3 million) in 2010 due to new bond issuance of \$509.9 million offset by \$78.7 million of debt service principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements which include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with an overview of the County's finances in a manner similar to a private sector business. The statements provide short-term and long-term information about the County's financial position, which assists in assessing the County's financial condition at the end of the fiscal year. These statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means they follow methods that are similar to those used by most businesses, taking into account all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The **statement of net assets** presents all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. As a result, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements have separate sections for three different types of County programs or activities:

Governmental activities. The activities in this section are principally supported by taxes and intergovernmental revenues. Most of the County's basic services fall into this category, including general government; law, safety and justice; physical environment; transportation; economic environment; mental and physical health; culture and recreation; and debt service. Also included within the governmental activities are the 2010 operations of the County's flood control district and ferry district. Although legally separate from the County, these component units are blended with the primary government (King County) because of their governance relationship with the County. Four Washington state nonprofit corporations, included as a single internal service fund called the Building Development and Management Corporations, are reported as a single blended component unit of the County.

Business-type activities. These functions are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities include the operation of the County's public transportation system, wastewater treatment facilities, solid waste disposal facilities, airport, and other services.

Discretely presented component units. The government-wide financial statements include not only King County itself as the primary government, but also three legally separate entities for which the County is financially accountable: the Harborview Medical Center (HMC), the Washington State Major League Baseball Stadium Public Facilities District (PFD), and the Cultural Development Authority (CDA) of King County. Individual financial statements for HMC, the PFD, and the CDA can be found immediately following the fiduciary funds financial statements in the Basic Statements section of this report.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

Governmental funds. Most of the services provided by the County are accounted for in governmental funds. Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, the governmental funds financial statements focus on how cash and other financial assets can readily be converted to available resources, and the balances left at year-end that are available for future spending. Such information may be useful in determining whether there will be adequate financial resources available to meet the current needs of the County.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a general fund and several other individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Two governmental funds, the General Fund and the Public Health Fund, are considered to be major funds for financial reporting purposes. Each of the major funds is presented in a separate column in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements in the Governmental Funds section of this report, following the Basic Statements section.

The County adopts an annual budget appropriated at the department or division level for the General Fund and at the fund level for the Public Health Fund. A budgetary comparison statement has been provided for each of the two major governmental funds.

The basic governmental funds financial statements can be found immediately following the government-wide statements.

Proprietary funds. Proprietary funds are used to account for services for which the County charges customers a fee. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds financial statements use the accrual basis of accounting. The basic proprietary funds financial statements can be found immediately following the governmental funds financial statements.

The County maintains two types of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary funds financial statements provide separate information for the Water Quality Enterprise and the Public Transportation Enterprise, both considered to be major funds of the County for financial reporting purposes. All other enterprise funds are aggregated into a single presentation within the proprietary funds financial statements.

Internal service funds are used to report activities that provide services to the County's other programs and activities on a cost reimbursement basis. The County uses internal service funds to account for its motor pool, information and telecommunications services, facilities management, risk management, employee benefits, building development and construction, and financial and various other administrative services. These services predominantly benefit governmental rather than business-type functions and have been included within governmental activities in the government-wide financial statements. One internal service fund that provides equipment and fleet maintenance and procurement for the Water Quality Enterprise is included within the business-type activities in the government-wide financial statements but is combined with all other internal service funds into a single aggregated presentation in the proprietary funds financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds include the investment trust funds, used to report investment activity conducted by the County on behalf of legally separate entities, such as special districts and public authorities that are not part of the County's reporting entity, and the agency funds. Since the resources of these funds are not available to support the County's own programs, they are not reflected in the government-wide financial statements. The accounting for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found immediately following the proprietary funds financial statements.

Notes to the financial statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the individual component unit financial statements in the Basic Statements section of this report.

Other information

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on infrastructure assets reported using the modified approach. The required supplementary information immediately follows the notes to the financial statements in the Basic Statements section of this report.

Combining Statements. The combining statements are presented in separate sections immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

An analysis of net assets may serve as a useful indicator of a government's financial position. As indicated in the condensed financial information below, derived from the government-wide Statement of Net Assets, the County's combined net assets (governmental and business-type activities) were \$4,415.3 million at the end of 2010. This is an increase of 2.5 percent (\$108.9 million) over the net assets of the previous year, as restated.

Governmental activities. Although net assets of the County's governmental activities increased 3.5

percent (\$73.7 million) to \$2,161.7 million, all of the net assets are either subject to external restrictions as to how they may be used, or are invested in capital assets (e.g., land, buildings, infrastructure, rights-of-way, equipment, and work in progress) less any related outstanding debt used

to acquire those assets. Consequently, unrestricted net assets for governmental activities showed a \$228.6 million deficit at the end of 2010. This is a \$47.6 million decrease in the deficit in unrestricted net assets from the end of 2009.

	Net Assets (in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 1,117,901	\$ 1,004,062	\$ 1,244,205	\$ 1,173,751	\$ 2,362,106	\$ 2,177,813
Capital assets	2,729,811	2,685,400	5,218,405	4,869,586	7,948,216	7,554,986
Total Assets	3,847,712	3,689,462	6,462,610	6,043,337	10,310,322	9,732,799
Liabilities						
Long-term liabilities	1,426,970	1,406,265	3,840,465	3,477,342	5,267,435	4,883,607
Other liabilities	259,087	195,239	368,537	347,584	627,624	542,823
Total Liabilities	1,686,057	1,601,504	4,209,002	3,824,926	5,895,059	5,426,430
Net Assets						
Invested in capital assets, net of related debt	1,922,455	1,889,721	1,577,670	1,603,232	3,500,125	3,492,953
Restricted	467,772	474,425	259,357	649,948	727,129	1,124,373
Unrestricted	(228,572)	(276,188)	416,581	(34,769)	188,009	(310,957)
Total net assets	\$ 2,161,655	\$ 2,087,958	\$ 2,253,608	\$ 2,218,411	\$ 4,415,263	\$ 4,306,369

This deficit does not mean that the County's governmental activities do not have resources available to pay their obligations in the coming year. The increase in net assets for governmental activities in 2010 reflects the County's ability, on an annual basis, to meet its current obligations in those activities including the related debt service requirements. The deficit in unrestricted net assets is the result of the governmental activities having long-term commitments that are greater than currently available resources. Specifically, the County's governmental activities include general obligation debt of \$291.5 million, \$30.5 million less than at the end of 2009, for which no corresponding assets are recorded but for which future revenues are obligated.

Of the amount of debt with no corresponding assets, 65.5 percent (\$190.8 million) is related to assets recorded on the books of two of the County's three discretely presented component units: the Washington State Major League Baseball Stadium PFD (\$51.2 million), and the Harborview Medical Center (\$139.6 million). As discretely presented component units, these entities are not part of the primary government or incorporated into this

analysis. The remaining debt consists of \$80.2 million associated with the Kingdome facility, demolished in 2000, and \$20.5 million used to finance assets that have been contributed by the County to other programs and services that benefit the citizens of the County.

Business-type activities. There was an increase of 1.6 percent to \$2,253.7 million in the net assets of business-type activities. Of the total net assets for business-type activities, 70.0 percent (\$1,577.7 million) is invested in capital assets (e.g., land, buildings, vehicles, plant assets, equipment, and work in progress), net of related debt. The business-type activities use these capital assets to provide services to their customers; consequently, these assets are not available for future spending. The resources needed to repay the debt incurred to acquire these assets must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities. Another 11.5 percent of the total net assets of business-type activities is restricted for capital construction (\$10.1 million), debt service (\$215.6 million), regulatory assets and environmental liabilities (\$30.3 million) and for other purposes (\$3.4

million). The remaining 18.5 percent (\$416.6 million) is unrestricted net assets. Any balance in the unrestricted net assets for business-type activities cannot be used to reduce the unrestricted net asset deficit in governmental activities.

The combination of the \$228.6 million deficit in the governmental activities unrestricted net assets and the \$416.6 million positive balance in the business-type activities unrestricted net assets resulted in a net positive \$188.0 million in total unrestricted net assets for the County as a whole.

Analysis of Changes in Net Assets

The increase in the County's total net assets in 2010 resulted from revenues exceeding related expenses and reflects the County's ability to meet its ongoing obligations, including its debt service requirements. Approximately 42.6 percent of the County's total revenues came from taxes, primarily Property taxes and the Retail sales and use taxes. Charges for various goods and services provided 43.1 percent of the total revenues, while 13.7 percent was derived from operating and capital grants and contributions, including state and federal assistance. The County's expenses cover a range of services, the largest of which were for law, safety and justice; mental and physical health; public transportation; and water quality.

The condensed financial information on the following page is derived from the government-wide Statement of Activities and reflects how the County's net assets changed during 2010.

Governmental activities. Governmental activities accounted for 67.7 percent of the total growth in net assets of the County, resulting in an increase in

the County's governmental activities net assets of \$73.7 million. Program revenues for governmental activities total \$884.3 million and include the amount paid by those who directly benefit from the programs (\$573.2 million), and by other governments and organizations that subsidized certain programs with operating grants and contributions (\$198.5 million), and capital grants and contributions (\$112.5 million). In 2010, the cost of all governmental activities was \$1,651.1 million. The County paid for the \$766.8 million remaining public benefit portion of governmental activities with \$593.1 million in property taxes, \$180.9 million in retail sales and use taxes, and \$64.1 million in other revenues, including other taxes and interest earnings. As discussed earlier, all of the increase in governmental activities net assets was either restricted as to use or used to acquire capital assets for use in providing services.

The growth in net assets of governmental activities of \$73.7 million is primarily due to the following factors: the collection of revenues (mostly taxes) to fund repayments of long-term debt (\$62.9 million), the collection of revenues for the acquisition of capital assets (\$58.9 million), donations of capital assets, primarily infrastructure, to the county (\$82.8 million), taxes collected by Special Revenue Funds (\$8.6 million by Emergency Medical Services, \$8.5 million by the Flood Control District, and \$3.6 million by the Mental Health Fund) in excess of the services provided in 2010 (\$20.7 million). In addition, the book value of capital assets sold, retired, or transferred (\$116.0 million) and depreciation expense (\$32.2 million) reduced net assets.

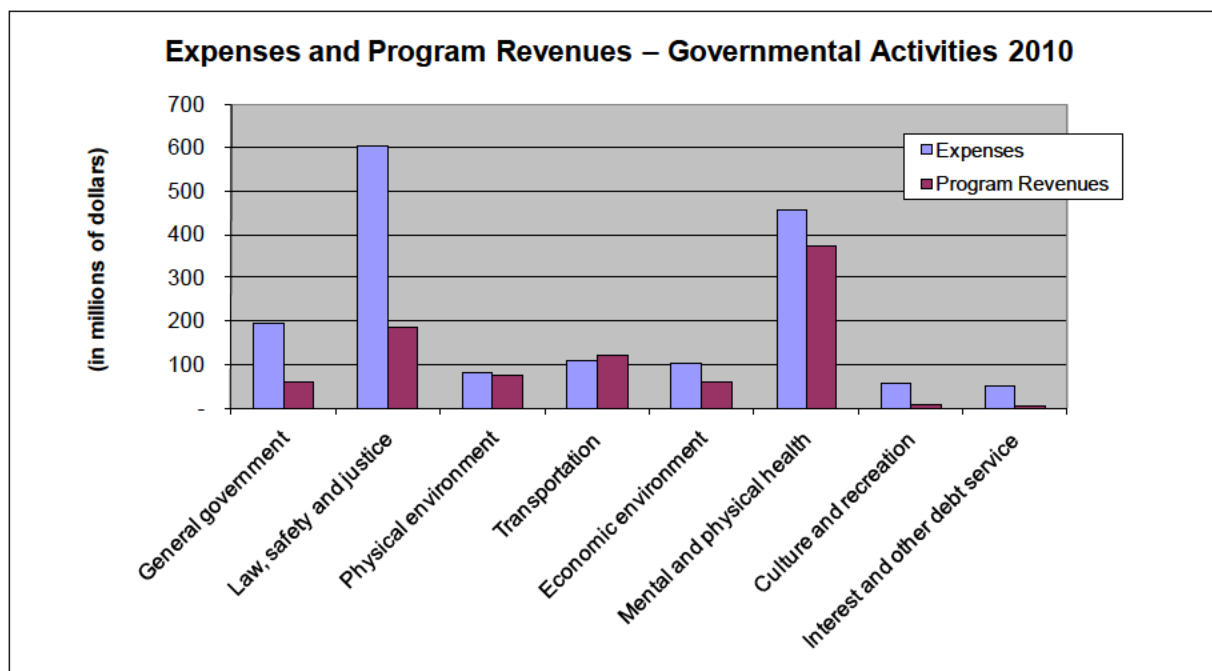
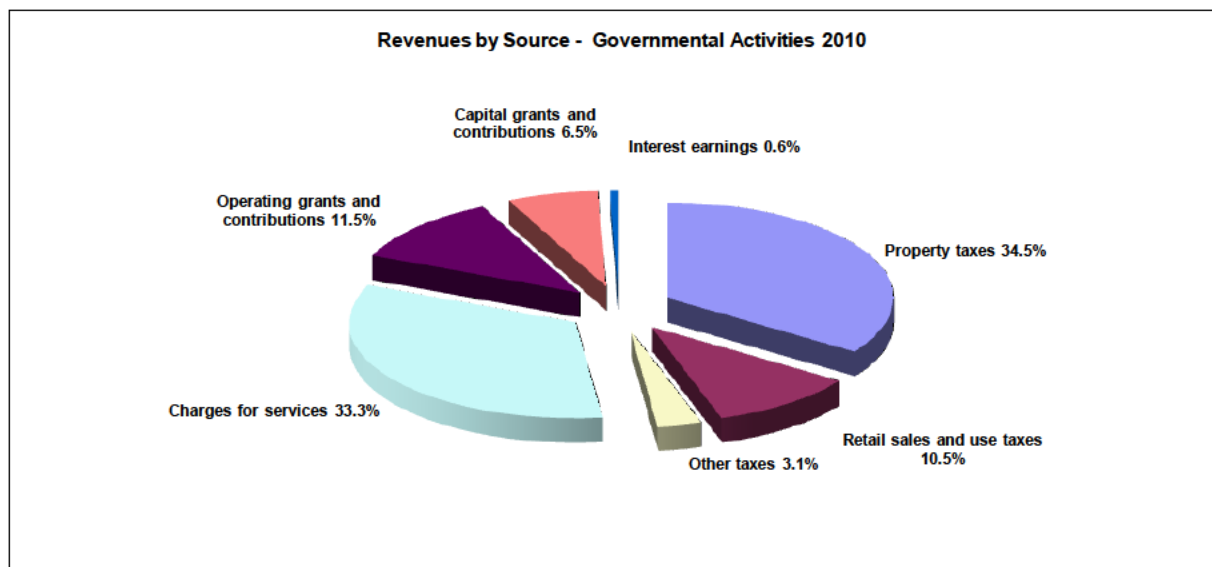
Changes in Net Assets (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	\$ 573,209	\$ 571,653	\$ 666,574	\$ 632,427	\$ 1,239,783	\$ 1,204,080
Operating grants and contributions	198,512	206,826	57,514	90,570	256,026	297,396
Capital grants and contributions	112,530	75,592	26,220	38,020	138,750	113,612
General revenues						
Property taxes	593,135	624,448	22,174	-	615,309	624,448
Retail sales and use taxes	180,914	179,077	375,943	376,968	556,857	556,045
Other taxes	53,760	54,234	-	-	53,760	54,234
Unrestricted interest earnings	10,295	20,029	8,810	13,558	19,105	33,587
Total revenues	<u>1,722,355</u>	<u>1,731,859</u>	<u>1,157,235</u>	<u>1,151,543</u>	<u>2,879,590</u>	<u>2,883,402</u>
Expenses ^(a)						
General government ^(b)	193,521	106,076	-	-	193,521	106,076
Law, safety and justice	605,396	607,191	-	-	605,396	607,191
Physical environment	79,897	76,404	-	-	79,897	76,404
Transportation	108,386	117,625	-	-	108,386	117,625
Economic environment	103,153	105,515	-	-	103,153	105,515
Mental and physical health	456,678	458,184	-	-	456,678	458,184
Culture and recreation	54,071	53,313	-	-	54,071	53,313
Interest and other debt service costs	49,979	54,010	-	-	49,979	54,010
Airport	-	-	22,296	24,725	22,296	24,725
Public transportation	-	-	697,611	673,436	697,611	673,436
Solid waste	-	-	101,210	91,347	101,210	91,347
Water quality	-	-	290,873	287,792	290,873	287,792
Other enterprises activity	-	-	7,625	7,153	7,625	7,153
Total expenses	<u>1,651,081</u>	<u>1,578,318</u>	<u>1,119,615</u>	<u>1,084,453</u>	<u>2,770,696</u>	<u>2,662,771</u>
Increase in net assets before transfers	71,274	153,541	37,620	67,090	108,894	220,631
Transfers	2,423	896	(2,423)	(896)	-	-
Increase in net assets	<u>73,697</u>	<u>154,437</u>	<u>35,197</u>	<u>66,194</u>	<u>108,894</u>	<u>220,631</u>
Net assets, beginning of year (restated) ^(c)	<u>2,087,958</u>	<u>1,933,521</u>	<u>2,218,411</u>	<u>2,152,217</u>	<u>4,306,369</u>	<u>4,085,738</u>
Net assets, end of year	<u>\$ 2,161,655</u>	<u>\$ 2,087,958</u>	<u>\$ 2,253,608</u>	<u>\$ 2,218,411</u>	<u>\$ 4,415,263</u>	<u>\$ 4,306,369</u>

(a) Expenses for all functions include the allocation of indirect expenses from the general government function. The amount of indirect general government expenses allocated to each function is shown in a separate column on the County's government-wide Statement of Activities alongside the column that reflects the direct operating expenses incurred by each function. As a result of this allocation, the \$193.5 million in General government expense above consists of \$135.9 million in direct program expenses and loss on the disposal (transfer) of capital assets of \$116.1 million reduced by a net allocation of \$58.5 million to other County functions.

(b) General government expenses includes loss on sale/disposal/transfer of capital assets of \$116.1 million and \$36.5 million in 2010 and 2009, respectively.

(c) Net assets, beginning of year has been restated, see Note 17 - "Restrictions, Reserves, Designations, and Changes in Equity" – Restatements of Beginning Balances.

The charts below illustrate the County's revenues by source and its expenses and program revenues by function for its governmental activities:



Charges for services provided 33.3 percent, and property taxes 34.5 percent, of total revenues for governmental activities. One of the most significant expense amounts is for Law, safety and justice, a function that requires the greatest usage of general government revenues. The primary revenue sources for Mental and physical health are charges for services and operating grants and contributions, which paid for 81.8 percent of the activities of that

function. In 2010, Transportation received \$82.1 million in infrastructure and right-of-way capital assets from developers, which enabled program revenues to exceed expenses by \$13.0 million. These and other capital contributions accounted for 112.3 percent of the 2010 increase in governmental activities net assets.

A comparison of the cost of services by function for the County's governmental activities, along with the revenues used to cover the net expenses of the governmental activities (in thousands):

(Expenses) Net of Program Revenues

General government	\$ (134,359)
Law, safety and justice	(420,086)
Physical environment	(6,467)
Transportation	12,972
Economic environment	(44,232)
Mental and physical health	(83,790)
Culture and recreation	(47,001)
Interest and other debt service costs	(43,867)
Total expenses	(766,830)

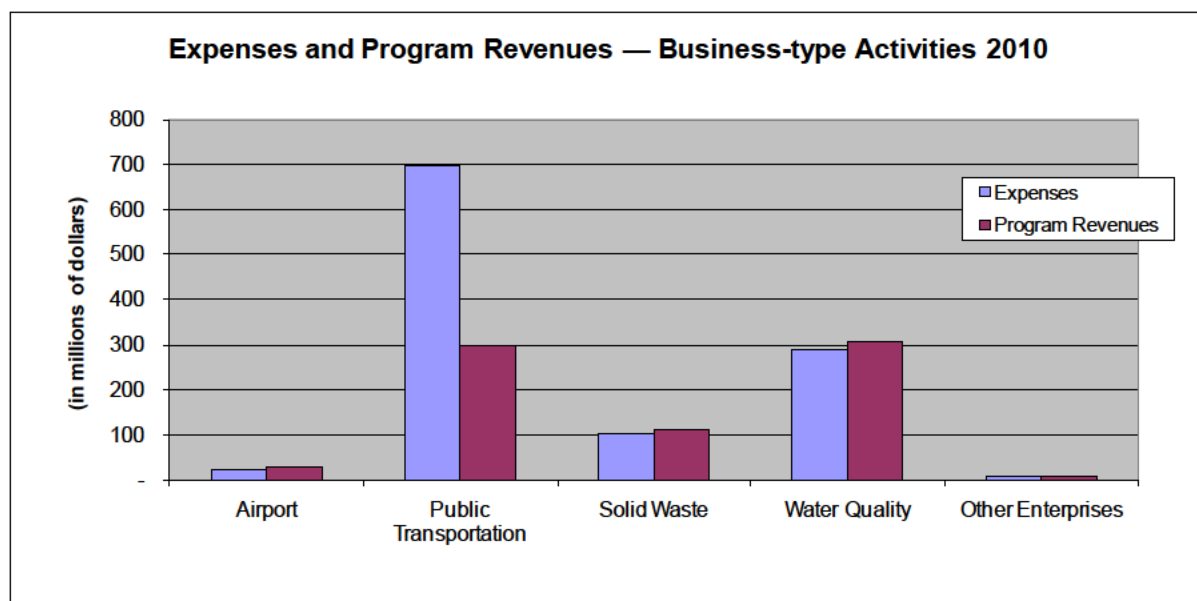
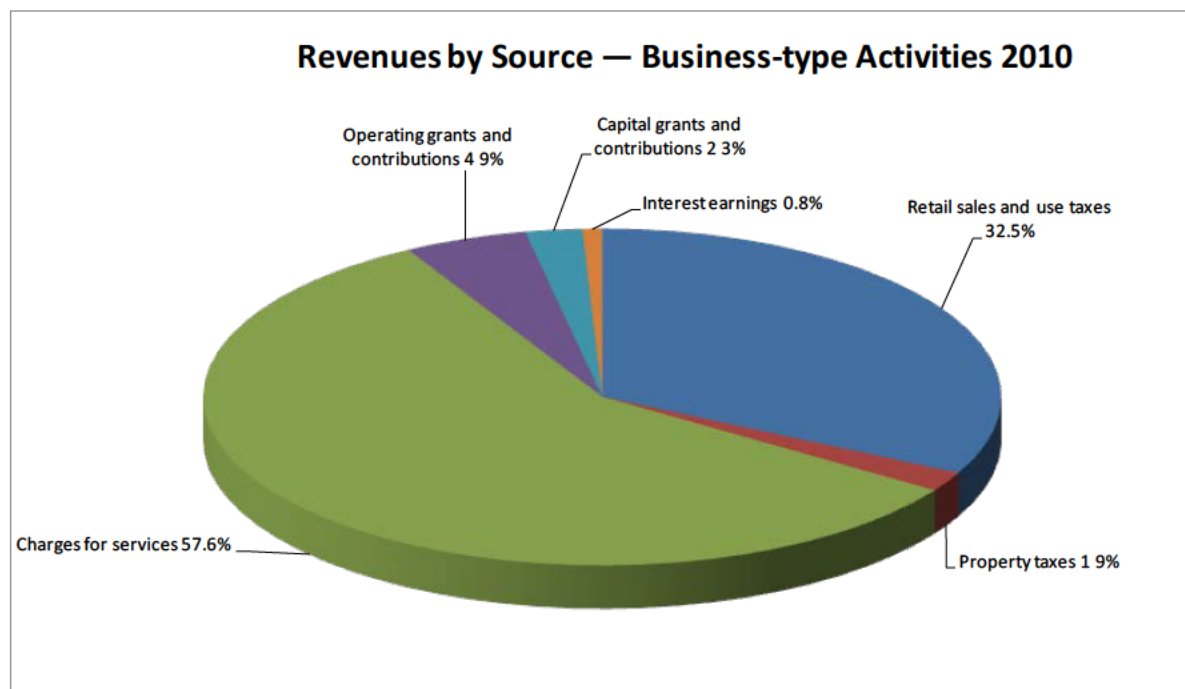
General revenues

Property taxes	593,135
Retail sales and use taxes	180,914
Other taxes	53,760
Unrestricted interest earnings	10,295
Transfers from Business-type	2,423
Increase in net assets	<u>\$ 73,697</u>

Business-type activities. Business-type activities increased the County's net assets by \$35.2 million in 2010, accounting for 32.3 percent of the total growth in net assets of the County. Total revenues for business-type activities were \$1,157.2 million. The cost of all business-type activities for 2010 was \$1,119.6 million. Of that amount, 67.0 percent (\$750.3 million) was funded from program revenues, including \$666.6 million in charges for services, \$57.5 million from other governments and

organizations that subsidized certain programs with operating grants, and \$26.2 million in capital grants and contributions. The Public Transportation operations are subsidized by retail sales and use tax revenues, which amounted to \$375.9 million in 2010 and property taxes (beginning in 2010) of \$22.2 million. In addition, business-type activities earned \$8.8 million in unrestricted interest earnings.

Business-type revenues by source and business-type expenses and program revenues by function:



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. Unreserved fund balances may serve as a useful measure of a government's net financial resources available for spending at the end of the fiscal year.

As of December 31, 2010, the County's governmental funds reported combined ending fund balances of \$565.4 million, an increase of \$43.7 million in comparison with the prior year. Approximately 80.3 percent (\$453.9 million) constitutes unreserved fund balance available for spending in the coming year at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to the liquidation of outstanding contracts and purchase orders of the prior fiscal year (\$60.8 million), to pay debt service (\$24.2 million), for prepayments (\$8.1 million), and for a variety of other restricted purposes (\$17.9 million).

Overall governmental fund revenues totaled approximately \$1,719.5 million for 2010, which represents a decrease of 1.6 percent, (\$28.2 million), under the fiscal year ended December 31, 2009. While Retail sales and use taxes were up \$1.8 million, Intergovernmental revenues were up \$16.6 million, and Miscellaneous revenue increased \$4.7 million, while several other revenue categories had sharp declines. Property taxes were down \$28.7 million due to declines in collections for the King County Ferry District (down \$17.7 million due to a decrease in the levy rate), Unlimited Tax GO Bonds (down \$13.9 million due to a decrease in the levy rate), the County Road Fund (down \$3.2 million due to annexations), the Emergency Medical Services Fund (down \$2.4 million due to a decrease in the assessed value of taxable property) and the Automated Fingerprint Identification System (down \$1.6 million due to a decrease in the assessed value of taxable property).

In 2010, expenditures for governmental funds totaled \$1,762.9 million, a decrease of 3.8 percent (\$69.4 million) from the previous fiscal year. Current expenditures were down 2.1 percent (\$33.1 million) from the previous fiscal year due to programmatic reductions with the priority of the preservation of funding for core mandatory services over discretionary services. Debt service expenditures (excluding the payment to escrow agent) were down \$60.5 million (38.9 percent), and Capital outlay expenditures were up \$30.2 million (35.5 percent). Total expenditures for governmental funds exceeded revenues by \$43.3 million in 2010, compared to \$84.5 million for 2009. The change in fund balances in 2010 of \$43.7 million included a increase of \$10.4 million in Non-major Debt Service Funds and an increase of \$38.6 million in Capital Projects Funds.

The **General Fund** is the primary operating fund for the County. At the end of the fiscal year, total fund balance for the General Fund was \$88.2 million. Unreserved fund balance, the amount considered available to spend, totaled \$71.6 million. Of that amount, \$4 million has been designated and is not considered available to spend. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.2 percent of total General Fund expenditures, an increase from the 11.4 percent of a year ago. Total fund balance represents 15.1 percent of total General Fund expenditures, an increase from the 13.9 percent of a year ago.

The fund balance of the County's General Fund increased \$5.8 million during 2010, while the fund balance decreased in 2009 by \$9.7 million (an increase of over \$15 million). While revenues were down \$3.6 million (0.6 percent) in 2010, expenditures declined \$7.3 million (1.2 percent) and Other financing uses declined \$12.9 million. While property tax revenues increased by \$6.2 million and intergovernmental revenues were up \$7.6 million, charges for services were down \$12.5 million and interest earnings were down \$5.9 million, resulting in the net increase in revenues in 2010 from the 2009 level of \$3.6 million. Expenditures were down \$7.3 million due to reductions in expenditures for general government services (\$4.6 million) and mental and physical health (\$3.4 million). The large drop in Other financing uses of \$12.9 million is due to

substantially decreased transfers from the General Fund to human services programs.

The **Public Health Fund** is used to account for health service centers located throughout the County and other public health programs that promote health and prevent disease to King County residents. At the end of 2010 it had a total fund balance of \$7.4 million (up \$3.1 million in 2010), of which \$5.8 million was unreserved and available for spending. While revenues were up \$7.1 million in 2010 from the 2009 level (due to an increase of \$7.5 million in intergovernmental revenues) expenditures were essentially unchanged in 2010 and other financing sources were down \$4.0 million resulting in an increase in fund balance of \$3.1 million in 2010 versus a decrease of \$44 thousand in 2009.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities. This information is presented on the same basis of accounting, but provides more detail.

The County's net assets increased by \$35.2 million as a result of operations in the proprietary funds, adjusted to reflect the consolidation of internal service fund activities related to the enterprise funds. Of the two major proprietary funds, the Public Transportation Enterprise had an increase of \$0.5 million and the net assets of the Water Quality Enterprise increased by \$18.6 million. In 2010, net assets of the Solid Waste Enterprise increased by \$9.4 million.

The **Public Transportation Enterprise** accounts for the operations, maintenance, capital improvements, and expansion of public transportation and related facilities in the County. At the end of 2010 the Public Transportation Enterprise had total net assets of \$1,454.6 million of which 66.2 percent (\$962.6 million) was invested in capital assets, net of related debt; 1.7 percent (\$24.9 million) was restricted as to use for capital purposes, bond reserves, and other purposes; and 32.1 percent (\$467.1 million) was unrestricted and available for spending. Net assets increased in 2010 and 2009. The increase was \$0.5 million in 2010 and \$29.4 million in 2009. The change in 2010 is primarily attributed to an increase in cash balances held for future capital investments that are currently projected to occur over the next few years, as well as debt service, which was offset by a decrease in non-depreciating capital assets as

constructed assets were moved into service and began depreciating. On December 31, 2010, cash balances were used to support interfund loans of \$116.1 million to other County agencies. At the end of 2009, interfund loans to other County agencies totaled \$131.5 million. The reserve for future fleet replacement continued to be replenished consistent with existing policies and in anticipation of upcoming fleet replacements.

The **Water Quality Enterprise** accounts for the operations, maintenance, capital improvements, and expansion of the County's water pollution control facilities. Total net assets in the Water Quality Enterprise were \$562.4 million at the end of 2010 of which 72.4 percent (\$407.2 million) was invested in capital assets, net of related debt; 41.7 percent (\$234.4 million) was restricted for debt service and regulatory assets and environmental liabilities; and the remaining negative 14.1 percent (\$79.2 million) was unrestricted. Water Quality operating revenues decreased by 0.7 percent to \$304.8 million, while operating expenses net of depreciation increased by 0.6 percent to \$103.7 million. Water Quality collected a monthly sewage treatment charge of \$31.90 per Residential Customer Equivalents (RCE) in 2010 and 2009. The negative unrestricted net assets balance was reduced to (\$79.2 million) at the end of 2010 from (\$88.0 million) at the end of 2009.

General Fund Budgetary Highlights

The County's final General Fund budget differs from the original budget in that it reflects an increase in appropriations of \$15.0 million during the year due to 2010 supplemental budget appropriations for General Fund support for general government (\$2 million), law, safety and justice (\$4 million), physical environment (\$2.5 million), and transfer to support capital projects (\$5.9 million). However, actual budgetary basis expenditures (including encumbrances) were only \$61 thousand greater than the original budget. This resulted in an underutilization of the total final appropriation authority by less than \$15 million, including \$5.7 million of under-expenditures in General government services, \$2.6 million in Law, safety and justice, and \$5.6 million in Transfers out. During the year total budgetary basis revenues were greater than budgetary estimates by \$10.4 million with a net impact of increasing fund balance by \$5.8 million in 2010.

CAPITAL ASSETS, INFRASTRUCTURE, AND DEBT ADMINISTRATION

Capital assets

The King County primary government's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to \$7.9 billion (net of accumulated depreciation). Capital assets include land, rights-of-way, easements and development rights, buildings, improvements other than buildings, roads and bridges infrastructure, vehicles, machinery, computers, software and other equipment, and construction work-in-progress. The total increase in the investment in capital assets over the previous year was 5.1 percent (1.7 percent increase for governmental activities and 7.1 percent increase for business-type activities).

Major capital asset events during 2010 included the following:

- Construction continued on the new Brightwater Treatment Plant and the associated conveyance system. This project comprised the bulk of the 19 percent increase

in business-type work-in-progress during the year. Construction activities are simultaneously ongoing in the treatment plant, the conveyance systems (portals and conveyance pipes), and ancillary facilities. The treatment plant is scheduled for completion and to begin operations in 2011 with the conveyance systems to be completed in 2012.

- Significant construction activity is also occurring in the Public Transportation and Solid Waste enterprises. Public Transportation continued to make improvements at bus bases, transit centers, and park-and-ride facilities. The Solid Waste Enterprise continued to make improvements to existing transfer stations and development of landfill ancillary systems.
- For governmental activities, significant additions and upgrades were made to parks facilities, development and improvements to the trail system, renovations and upgrades to various county buildings, and technology-related projects.

A summary of the 2010 capital assets activity is shown below. More detailed information on the County's capital assets can be found in Note 6 – "Capital Assets."

	Capital Assets (in millions)					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and land rights	\$ 859.8	\$ 798.8	\$ 360.8	\$ 358.3	\$ 1,220.6	\$ 1,157.1
Buildings*	731.0	731.7	1,008.5	1,012.1	1,739.5	1,743.8
Improvements other than buildings*	50.9	27.1	496.4	497.7	547.3	524.8
Infrastructure - roads and bridges	925.4	943.1	0.0	0.0	925.4	943.1
Infrastructure - other*	5.3	0.0	728.3	709.0	733.6	709.0
Equipment and software*	78.6	77.9	515.5	525.8	594.1	603.7
Construction in progress	78.8	106.8	2,108.9	1,766.5	2,187.7	1,873.3
Total	<u>\$ 2,729.8</u>	<u>\$ 2,685.4</u>	<u>\$ 5,218.4</u>	<u>\$ 4,869.4</u>	<u>\$ 7,948.2</u>	<u>\$ 7,554.8</u>

* Net of depreciation/amortization

Infrastructure

The County has elected to use the modified approach in reporting roads and bridges. Under the modified approach, asset condition is reported rather than recording depreciation. The rating scales for pavements (roads) and bridges are further explained in the required supplementary information which follows the notes to the basic financial statements.

The County performs condition assessments on its network of roads through the King County Pavement Management System, which generates a Pavement Condition Index (PCI) for each segment of arterial and local access road in the network. The PCI is a numerical index on a 100-point scale that represents the pavement's functional condition based on the quantity, severity, and type of visual distress. Condition assessments are undertaken every three years.

It is the policy of the King County Road Services Division to maintain at least 80.0 percent of the road system at a PCI of 40 or better. In the most recent condition assessments, 74.2 percent of the arterial roads in the County and 78.5 percent of the local access roads in the County had a PCI rating at 40 and above. The 2010 condition assessment indicates the arterial and local access road networks have fallen below the 80/40 threshold. The County's Roads Division's current budget conditions do not allow for additional funds to increase the number of miles overlaid. The accelerated condition of deterioration observed between the 2009 and 2010 reports are primarily the result of weather and system age. The majority of roads that fall below the established rating are local access roads that are situated in rural areas. The amount budgeted in 2010 for road preservation and maintenance was \$78.8 million. The amount actually expended was \$52.9 million.

Underspending of the budgeted amount is a result of the removal of roads from the project list because of conflicts with anticipated utility work, cost efficiencies related to relatively few roads to be resurfaced in remote locations, and fewer weather-related work reductions or stoppages.

The County currently maintains 180 bridges. Physical inspections to uncover deficiencies are carried out at least every two years and documented. There is also an annual evaluation to determine which bridges are due for replacement or rehabilitation using a 10-point priority scale based on various factors of bridge condition. A key element in the priority scale is the sufficiency rating, which is a numerical rating (on a 100-point scale) of a bridge based on its structural adequacy and safety, essentiality for public use, and its serviceability and functional obsolescence. The policy of the King County Road Services Division is to maintain bridges in such a manner that no more than 12 (6.5 percent) will have a sufficiency rating of 20 or less. The most current complete assessment showed 6 bridges at or below this threshold. The amount budgeted in 2010 for bridge preservation and maintenance was \$19.8 million, while the actual amount expended was \$9.7 million. Underspending of the budgeted amount is due to the construction schedule of certain projects extending beyond the budget year.

Debt Administration

At the end of 2010, King County Primary Government has a total of \$4,673.3 million in bonds and notes outstanding for its governmental and business-type activities. Of this amount, \$2,239.9 million is comprised of debt backed by the full faith and credit of the County. The \$2,433.4 million remainder of the County's debt represents bonds secured solely by specified revenue sources.

Outstanding Debt
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 728.4	\$ 724.3	\$ 1,031.2	\$ 919.7	\$ 1,759.6	\$ 1,644.0
General obligation bond anticipation notes	84.3	27.1	-	-	84.3	27.1
Lease revenue bonds	396.0	402.5	-	-	396.0	402.5
Revenue bonds	-	-	2,433.4	2,167.4	2,433.4	2,167.4
Total	\$ 1,208.7	\$ 1,153.9	\$ 3,464.6	\$ 3,087.1	\$ 4,673.3	\$ 4,241.0

Lease revenue bonds were bonds issued in accordance with the provisions of Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the lease agreements, the County's obligation to pay rent is a limited tax general obligation.

The total debt increased over the previous year by 10.2 percent or \$432.3 million (a 4.8 percent or \$54.8 million increase for governmental activities and 12.2 percent or \$377.5 million increase for business-type activities). The increase of debt outstanding in governmental activities was primarily due to the issuance of \$82.5 million of limited general obligation bonds in 2010. Business-type activities' debt increased primarily due to the issuance of \$334.4 million of sewer revenue and refunding bonds and \$100 million of Multi-Modal limited general obligation bonds payable by sewer revenues to finance the capital needs of the Water Quality Enterprise.

During 2010, the County refinanced some of its existing debt to take advantage of favorable interest rates. The County refinanced \$26.6 million of general obligation various purpose bonds which will decrease future aggregate debt service payments by \$3.3 million over the life of the bonds. The County also refinanced \$19.8 unlimited general obligation bonds which will decrease future aggregate debt service payments by \$2.2 million over the life of the bonds.

Using excess proceeds from special taxes and revenues, the County completed a partial defeasance of general obligation (baseball stadium) bonds that is expected to decrease debt service payments by \$15.0 million.

The County maintains a rating of "Aa1" from Moody's, a rating of "AAA" from Standard & Poor's, and a rating of "AA+" from Fitch for its limited tax general obligation debt. For its unlimited tax

general obligation debt the County has a rating of "Aaa" from Moody's, a rating of "AAA" from Standard & Poor's, and a rating of "AAA" from Fitch. The ratings for Water Quality Enterprise's revenue debt are "Aa2" from Moody's and "AA+" from Standard & Poor's.

State statutes limit the amount of general obligation debt that the County may issue to 2.5 percent of its total assessed valuation for general county purposes and 2.5 percent for metropolitan functions. The current debt limitation of total general obligations for general county purposes is \$8,260.4 million, significantly higher than the County's outstanding net general obligation long-term liabilities of \$1,139.2 million. For metropolitan functions the debt limitation is \$8,260.4 million and the County's outstanding net general obligation debt is \$1,079.1 million.

Additional information on King County's long-term debt can be found in Note 14 – "Debt."

ECONOMIC OUTLOOK AND 2011 BUDGET

Economic factors have a direct impact on the County's revenues and the demand for services. The County's revenue sources include taxes, charges for services, and intergovernmental revenues. The largest single source is taxes, which comprise approximately one-third of total revenues and consist primarily of taxes on real property. Property taxes tend to be stable because the County establishes assessed value from the preceding four years of real estate sales. Other tax

sources, such as retail sales tax, are more volatile and directly influenced by economic conditions in the region.

Property assessed valuation in 2010 for taxes collected in 2011 decreased by 11.6 percent compared to increases of 13.5 percent and 14.1 percent in 2009 and 2008, respectively. Unemployment in King County was 8.8 percent in 2010 compared with 8.5 percent in 2009. Median household income in the county is estimated to have decreased 2.9 percent from 2008 to 2009 and decreased 2.9 percent from 2009 to 2010. County taxable sales decreased in both 2009 and 2010, affecting several funds, most notably the General Fund and Public Transportation Fund.

By law, the County is required to adopt a balanced budget. The 2011 budget, adopted by the County Council in November 2010, totals \$5.0 billion, which includes annual, biennial, and the current year portion of multi-year capital improvement budgets. Of this amount, \$629.2 million is appropriated for the General Fund; \$1.8 billion (\$393.7 million annual and \$1,407.4 million biennial) is appropriated for enterprise funds including public transportation, solid waste and wastewater treatment; and \$1.16 billion (\$892.8 million annual and \$271.5 million biennial) is appropriated for special revenue funds including public health, mental health, emergency medical services, human services, and road funds. The budget also includes \$751.4 million committed to capital improvements for wastewater treatment, transit, roads, solid waste and other major public facilities. The general fund current expense budget maintained a 6.0 percent budgetary undesignated fund balance as a percentage of revenues.

Other considerations

King County will continue to face numerous challenges, including volatile energy prices, rising employee and programmatic health care costs, the cost of providing services to urban unincorporated areas, and the need to raise sufficient revenues to support utility, transit system and general government activities.

Property taxes are the largest revenue source in the County general fund at 40 percent of general fund revenues. The County Council-approved property tax levy is limited by state law to one percent growth each year plus the property tax on new construction.

Three large annexations become effective in 2010 and 2011. Effective April 1, 2010, the southern portion of North Highline became part of the City of Burien. In July 2010, the Panther Lake area became part of the City of Kent, and effective July 1, 2011, the Juanita, Finn Hill and Kingsgate areas will become part of the City of Kirkland.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the County's financial activities for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chief Accountant, 500 Fourth Avenue Room 653, Seattle, WA 98104.

STATEMENT OF NET ASSETS
DECEMBER 31, 2010
(IN THOUSANDS)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 922,075	\$ 913,074	\$ 1,835,149	\$ 207,437
Investments	551	-	551	42,944
Receivables, net	196,948	174,859	371,807	128,950
Due from primary government	-	-	-	1,103
Internal balances	(23,147)	23,147	-	-
Inventories	2,618	24,764	27,382	8,234
Prepayments and other assets	10,679	8,057	18,736	1,969
Capital assets				
Non-depreciable assets	1,872,919	2,469,701	4,342,620	55,696
Depreciable assets, net of depreciation	856,892	2,748,704	3,605,596	767,182
Deferred charges	8,177	29,707	37,884	-
Deposits with other governments	-	-	-	600
Regulatory assets - environmental remediation	-	47,079	47,079	-
Other utility assets	-	22,703	22,703	-
Other assets	-	815	815	12,261
TOTAL ASSETS	3,847,712	6,462,610	10,310,322	1,226,376
LIABILITIES				
Accounts payable and other current liabilities	94,767	100,851	195,618	51,389
Due to component unit	1,103	-	1,103	-
Accrued liabilities	41,267	102,435	143,702	34,552
Notes payable	84,920	100,000	184,920	-
Unearned revenues	37,030	14,251	51,281	6,227
Rate stabilization	-	51,000	51,000	-
Noncurrent liabilities				
Due within one year	170,646	101,527	272,173	5,088
Due in more than one year	1,256,324	3,738,938	4,995,262	56,843
TOTAL LIABILITIES	1,686,057	4,209,002	5,895,059	154,099
NET ASSETS				
Invested in capital assets, net of related debt	1,922,455	1,577,670	3,500,125	781,983
Restricted for:				
Capital projects	127,077	10,068	137,145	-
Debt service	73,346	215,599	288,945	-
General government	10,854	-	10,854	-
Law, safety and justice	79,484	-	79,484	-
Physical environment	40,331	-	40,331	-
Transportation	26,543	-	26,543	-
Economic environment	21,444	-	21,444	-
Mental and physical health	75,784	-	75,784	-
Culture and recreation	12,909	-	12,909	-
Regulatory assets and environmental liabilities	-	30,302	30,302	-
Other purposes	-	3,388	3,388	-
Expendable	-	-	-	38,567
Nonexpendable	-	-	-	28,896
Unrestricted	(228,572)	416,581	188,009	222,831
TOTAL NET ASSETS	\$ 2,161,655	\$ 2,253,608	\$ 4,415,263	\$ 1,072,277

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	\$ 252,042	\$ (58,521)	\$ 54,187	\$ 4,863	\$ 112
Law, safety & justice	575,373	30,023	155,182	30,128	-
Physical environment	79,092	805	47,598	3,826	22,006
Transportation	106,019	2,367	14,631	18,017	88,710
Economic environment	101,614	1,539	27,836	29,459	1,626
Mental & physical health	450,758	5,920	266,270	106,618	-
Culture & recreation	53,427	644	6,799	195	76
Interest and other					
debt service costs	49,979	-	706	5,406	-
Total governmental activities	<u>1,668,304</u>	<u>(17,223)</u>	<u>573,209</u>	<u>198,512</u>	<u>112,530</u>
Business-type activities:					
Airport	21,996	300	20,766	-	5,300
Public Transportation	685,219	12,392	223,278	57,514	17,635
Solid Waste	99,204	2,006	109,949	-	650
Water Quality	288,417	2,456	305,738	-	2,431
Institutional Network	2,906	52	2,841	-	-
Radio Communications Services	4,650	17	4,002	-	204
Total business-type activities	<u>1,102,392</u>	<u>17,223</u>	<u>666,574</u>	<u>57,514</u>	<u>26,220</u>
Total primary government	<u>\$ 2,770,696</u>	<u>\$ -</u>	<u>\$ 1,239,783</u>	<u>\$ 256,026</u>	<u>\$ 138,750</u>
Component units	<u>\$ 745,587</u>		<u>\$ 700,354</u>	<u>\$ 18,320</u>	<u>\$ 6,635</u>
General revenues					
Property taxes					
Retail sales and use taxes					
Business and other taxes					
Penalties and interest - delinquent taxes					
Interest earnings					
Transfers					
Total general revenues and transfers					
Change in net assets					
Net assets - January 1, 2010 (Restated)					
Net assets - December 31, 2010					

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component	
			Units Total	
Governmental Activities	Business-type Activities	Total		
\$ (134,359)	\$	\$ (134,359)	\$	
(420,086)		(420,086)		
(6,467)		(6,467)		
12,972		12,972		
(44,232)		(44,232)		
(83,790)		(83,790)		
(47,001)		(47,001)		
(43,867)		(43,867)		
(766,830)		(766,830)		
	3,770	3,770		
	(399,184)	(399,184)		
	9,389	9,389		
	17,296	17,296		
	(117)	(117)		
	(461)	(461)		
-	(369,307)	(369,307)		
(766,830)	(369,307)	(1,136,137)		
			(20,278)	
593,135	22,174	615,309	-	
180,914	375,943	556,857	-	
32,432	-	32,432	-	
21,328	-	21,328	-	
10,295	8,810	19,105	5,570	
2,423	(2,423)	-	-	
840,527	404,504	1,245,031	5,570	
73,697	35,197	108,894	(14,708)	
2,087,958	2,218,411	4,306,369	1,086,985	
\$ 2,161,655	\$ 2,253,608	\$ 4,415,263	\$ 1,072,277	

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(IN THOUSANDS)**

	GENERAL FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 55,685	\$ 71	\$ 596,691	\$ 652,447
Taxes receivable - delinquent	7,533	-	10,181	17,714
Accounts receivable, net	9,487	769	24,031	34,287
Other receivables, net	-	-	588	588
Interest receivable	6,829	-	-	6,829
Due from other funds	5,057	1,171	22,868	29,096
Interfund short-term loans receivable	4,731	-	-	4,731
Due from other governments, net	41,819	29,192	57,457	128,468
Inventory of supplies	-	1,223	-	1,223
Prepayments	-	-	8,070	8,070
Advances to other funds	3,800	-	407	4,207
TOTAL ASSETS	\$ 134,941	\$ 32,426	\$ 720,293	\$ 887,660
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 8,426	\$ 14,965	\$ 45,838	\$ 69,229
Due to other funds	5,048	697	27,802	33,547
Interfund short-term loans payable	-	2,289	22,247	24,536
Due to other governments	898	-	6,616	7,514
Due to component unit	-	-	1,103	1,103
Interest payable	-	-	2,220	2,220
Wages payable	15,928	4,461	8,056	28,445
Taxes payable	95	-	60	155
Bonds payable	-	-	3,285	3,285
Deferred revenues	14,566	1,799	41,648	58,013
Notes and contracts payable	-	-	84,920	84,920
Custodial accounts	1,737	843	6,048	8,628
Advances from other funds	-	-	707	707
Total liabilities	46,698	25,054	250,550	322,302
Fund balances				
Reserved	16,632	1,558	93,233	111,423
Unreserved				
Designated, reported in				
General Fund	4,001			4,001
Special Revenue Funds			71,036	71,036
Undesignated, reported in				
General Fund	67,610			67,610
Public Health Fund		5,814		5,814
Special Revenue Funds			185,632	185,632
Debt Service Funds			42,694	42,694
Capital Projects Funds			77,148	77,148
Total fund balances	88,243	7,372	469,743	565,358
TOTAL LIABILITIES AND FUND BALANCES	\$ 134,941	\$ 32,426	\$ 720,293	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	2,341,183
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	29,769
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net assets.	76,347
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(851,002)
Net assets of governmental activities	\$ 2,161,655

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

	GENERAL FUND	PUBLIC HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes				
Property taxes	\$ 271,832	\$ -	\$ 321,266	\$ 593,098
Retail sales and use taxes	82,759	-	98,155	180,914
Business and other taxes	6,241	-	26,191	32,432
Penalties and interest - delinquent taxes	21,328	-	-	21,328
Licenses and permits	8,242	12,434	3,722	24,398
Intergovernmental revenues	108,719	137,295	314,980	560,994
Charges for services	109,034	11,269	109,279	229,582
Fines and forfeits	8,740	-	261	9,001
Interest earnings	2,067	-	5,505	7,572
Miscellaneous revenues	14,522	6,275	39,405	60,202
TOTAL REVENUES	633,484	167,273	918,764	1,719,521
EXPENDITURES				
Current				
General government	98,787	-	46,321	145,108
Law, safety and justice	456,769	-	99,702	556,471
Physical environment	4,742	-	102,555	107,297
Transportation	-	-	114,436	114,436
Economic environment	425	-	102,379	102,804
Mental and physical health	24,500	190,584	245,500	460,584
Culture and recreation	-	-	51,069	51,069
Debt Service				
Principal	-	-	62,901	62,901
Interest and other debt service costs	5	14	31,701	31,720
Refunding bond issuance costs	-	-	78	78
Payment to escrow agent	-	-	14,997	14,997
Capital outlay	819	234	114,346	115,399
TOTAL EXPENDITURES	586,047	190,832	985,985	1,762,864
Excess (deficiency) of revenues over (under) expenditures	47,437	(23,559)	(67,221)	(43,343)
OTHER FINANCING SOURCES (USES)				
Transfers in	951	26,713	114,905	142,569
Transfers out	(42,865)	(96)	(96,812)	(139,773)
General government debt issued	-	-	82,465	82,465
Premium on bonds sold	-	-	6,521	6,521
Refunding bonds issued	-	-	41,250	41,250
Sale of capital assets	294	7	(693)	(392)
Payment to refunded bonds escrow agent	-	-	(45,561)	(45,561)
TOTAL OTHER FINANCING SOURCES (USES)	(41,620)	26,624	102,075	87,079
Net changes in fund balances	5,817	3,065	34,854	43,736
Fund balances - January 1, 2010	82,426	4,307	434,889	521,622
Fund balances - December 31, 2010	<u>\$ 88,243</u>	<u>\$ 7,372</u>	<u>\$ 469,743</u>	<u>\$ 565,358</u>

The notes to the financial statements are an integral part of this statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)**

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$ 43,736
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	83,190
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net assets.	(33,253)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,672
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,963)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(7,297)
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.	(6,388)
Change in net assets of governmental activities	<u>\$ 73,697</u>

The notes to the financial statements are an integral part of this statement.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes				
Property taxes	\$ 270,366	\$ 270,366	\$ 271,832	\$ 1,466
Retail sales and use taxes	86,470	86,470	82,759	(3,711)
Business and other taxes	6,972	6,972	6,241	(731)
Penalties and interest - delinquent taxes	15,000	15,000	21,328	6,328
Licenses and permits	8,071	8,367	8,242	(125)
Intergovernmental revenues	101,092	101,321	108,719	7,398
Charges for services	107,136	107,240	109,034	1,794
Fines and forfeits	9,687	9,687	8,740	(947)
Interest earnings	3,062	3,062	2,115	(947)
Miscellaneous revenues	15,542	15,693	14,490	(1,203)
Sale of capital assets	100	100	294	194
Transfers in	23	23	951	928
TOTAL REVENUES	623,521	624,301	634,745	10,444
EXPENDITURES				
Current				
General government services	103,549	105,463	99,730	5,733
Law, safety and justice	457,258	461,206	458,588	2,618
Physical environment	2,451	4,951	4,742	209
Economic environment	608	607	425	182
Mental and physical health	24,725	24,663	24,563	100
Debt service				
Principal	34	34	-	34
Interest and other debt service costs	3	3	-	3
Capital outlay	1,048	1,815	1,268	547
Transfers out	42,855	48,832	43,276	5,556
TOTAL EXPENDITURES	632,531	647,574	632,592	14,982
Deficiency of revenues under expenditures (budgetary basis)	\$ (9,010)	\$ (23,273)	2,153	\$ 25,426
Adjustment from budgetary basis to GAAP basis			3,664 (a)	
Net change in fund balance			5,817	
Fund balance - January 1, 2010			82,426	
Fund balance - December 31, 2010			\$ 88,243	
(a) Elements of adjustment from budgetary basis to GAAP basis:				
Adjustments to revenues				
Recognition of unrealized loss on investments on a GAAP basis			\$ (48)	
Recognition of donation revenue on a GAAP basis			32	
Adjustments to expenditures				
Encumbrances, not included in GAAP basis expenditures			3,274	
Budgeted transfers out reported as a reduction of advance on a GAAP basis			594	
Non-budgeted transfers out			(183)	
Non-budgeted interest and other debt service costs			(5)	
Adjustment from budgetary basis to GAAP basis			\$ 3,664	

The notes to the financial statements are an integral part of this statement.

PUBLIC HEALTH FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Licenses and permits	\$ 12,771	\$ 12,894	\$ 12,434	\$ (460)
Intergovernmental revenues	130,458	146,489	137,295	(9,194)
Charges for services	15,222	13,228	11,269	(1,959)
Miscellaneous revenues	12,478	11,737	6,275	(5,462)
Transfers in	26,575	26,667	26,713	46
Sale of capital assets	-	-	7	7
Total Revenues	197,504	211,015	193,993	(17,022)
EXPENDITURES				
Current				
Mental and physical health	197,451	210,111	190,902	19,209
Debt service				
Interest and other debt service costs	40	40	14	26
Capital outlay	667	770	234	536
Transfers out	94	94	96	(2)
Total Expenditures	198,252	211,015	191,246	19,769
Excess (Deficiency) of revenues over (under) expenditures (budgetary basis)	\$ (748)	\$ -	2,747	\$ 2,747
Adjustment from budgetary basis to GAAP basis - encumbrances			318	
Net change in fund balance			3,065	
Fund balances - January 1, 2010			4,307	
Fund balance - December 31, 2010			\$ 7,372	

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current assets					
Cash and cash equivalents	\$ 342,809	\$ 24,018	\$ 74,335	\$ 441,162	\$ 267,361
Restricted cash and cash equivalents	11,522	185,942	212	197,676	1,519
Investments	-	-	-	-	551
Accounts receivable	14,576	27,529	13,548	55,653	1,493
Estimated uncollectible					
accounts receivable	(178)	-	(113)	(291)	(2)
Due from other funds	1,333	5,845	2,358	9,536	4,189
Interfund short-term loans receivable	116,118	-	-	116,118	-
Property tax receivable-delinquent	347	-	-	347	-
Due from other governments, net	106,797	9,550	1,944	118,291	571
Inventory of supplies	17,462	5,758	1,542	24,762	1,397
Prepayments and other assets	404	77	-	481	2,629
Total current assets	611,190	258,719	93,826	963,735	279,708
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	34,640	191,036	39,253	264,929	10,055
Due from other governments, net	22	354	-	376	414
Assessments receivable	420	-	-	420	-
Property tax receivable-delinquent	63	-	-	63	-
Total restricted assets	35,145	191,390	39,253	265,788	10,469
Capital assets					
Non-depreciable assets	246,867	2,143,881	78,953	2,469,701	20,395
Depreciable assets, net of depreciation	855,549	1,715,105	176,080	2,746,734	370,199
Total capital assets	1,102,416	3,858,986	255,033	5,216,435	390,594
Other noncurrent					
Prepayments	7,293	-	-	7,293	-
Notes receivable	815	-	-	815	-
Regulatory assets - environmental remediation	-	47,079	-	47,079	-
Other utility assets, net of accumulated depreciation	-	22,703	-	22,703	-
Deferred charges	1,088	28,525	94	29,707	4,339
Other assets	283	-	-	283	-
Total other noncurrent	9,479	98,307	94	107,880	4,339
Total noncurrent assets	1,147,040	4,148,683	294,380	5,590,103	405,402
TOTAL ASSETS	1,758,230	4,407,402	388,206	6,553,838	685,110

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010
(N THOUSANDS)
(PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
LIABILITIES					
Current liabilities					
Accounts payable	\$ 50,088	\$ 39,520	\$ 10,844	\$ 100,452	\$ 7,681
Retainage payable	1,537	18,106	190	19,833	120
Claims and judgments payable	-	-	-	-	2,237
Estimated claim settlements	-	-	-	-	99,784
Due to other funds	966	2,068	4,725	7,759	1,515
Interest payable	605	76,146	244	76,995	1,621
Interfund short-term loans payable	-	96,313	-	96,313	-
Wages payable	19,893	3,690	1,857	25,440	3,630
Compensated absences payable	8,224	393	135	8,752	662
Taxes payable	150	-	193	343	11
Unearned revenues	10,523	-	3,728	14,251	2,217
Environmental remediation - current portion	-	5,599	-	5,599	-
Revenue bonds payable	-	33,860	-	33,860	10,465
General obligation bonds payable	9,490	2,630	3,449	15,569	125
Capital leases payable	94	-	-	94	-
State revolving loan payable	-	7,896	-	7,896	-
Notes payable	-	100,000	-	100,000	-
Landfill closure and post-closure care liability	-	-	5,938	5,938	-
Other liabilities	-	-	265	265	1,481
Total current liabilities	101,570	386,221	31,568	519,359	131,549
Noncurrent liabilities					
Retainage payable	660	1,340	31	2,031	-
Rate stabilization	-	51,000	-	51,000	-
Compensated absences payable	43,596	10,681	5,703	59,980	10,862
Other postemployment benefits	4,628	673	567	5,868	995
Advances from other funds	3,500	-	-	3,500	-
General obligation bonds payable	143,885	827,885	43,872	1,015,642	-
Revenue bonds payable	-	2,399,490	-	2,399,490	385,525
Deferred bond premium, discount and refunding loss	2,212	7,462	1,768	11,442	-
Capital leases payable	3,185	-	-	3,185	-
State revolving loans payable	-	128,099	-	128,099	-
Landfill closure and post-closure care liability	-	-	79,559	79,559	-
Estimated claim settlements	-	-	-	-	63,541
Environmental remediation	351	32,157	4,433	36,941	-
Other liabilities	-	-	425	425	-
Total noncurrent liabilities	202,017	3,458,787	136,358	3,797,162	460,923
TOTAL LIABILITIES	303,587	3,845,008	167,926	4,316,521	592,472
NET ASSETS					
Invested in capital assets, net of related debt	962,595	407,161	205,944	1,575,700	(1,182)
Restricted for:					
Capital projects	10,068	-	-	10,068	218
Debt service	11,473	204,126	-	215,599	11,770
Regulatory assets and environmental liabilities	-	30,302	-	30,302	-
Other purposes	3,388	-	-	3,388	-
Unrestricted	467,119	(79,195)	14,336	402,260	81,832
TOTAL NET ASSETS	\$ 1,454,643	\$ 562,394	\$ 220,280	2,237,317	\$ 92,638
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				16,291	
Net assets of business-type activities				\$ 2,253,608	

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES				INTERNAL SERVICE FUNDS
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	
OPERATING REVENUES					
I-Net fees	\$ -	\$ -	\$ 2,820	\$ 2,820	\$ -
Radio services	-	-	3,741	3,741	-
Solid waste disposal charges	-	-	84,877	84,877	-
Airfield fees	-	-	3,481	3,481	-
Hangar, building, and site rentals and leases	-	-	13,835	13,835	-
Reimbursement for services to tenants	-	-	1,673	1,673	-
Passenger	194,148	-	-	194,148	-
Special service contracts	10,049	-	-	10,049	-
Sewage disposal fees	-	253,684	-	253,684	-
Other operating revenues	18,939	51,141	469	70,549	438,231
Total operating revenues	223,136	304,825	110,896	638,857	438,231
OPERATING EXPENSES					
Personal services	392,754	41,597	49,411	483,762	84,147
Materials and supplies	63,479	9,417	7,872	80,768	10,786
Contract services and other charges	23,065	14,711	26,731	64,507	287,285
Utilities	5,580	11,608	3,498	20,686	-
Purchased transportation	52,220	-	-	52,220	-
Internal services	52,621	26,349	13,895	92,865	22,807
Environmental related amortization	-	1,535	-	1,535	-
Depreciation and amortization	101,760	92,627	21,948	216,335	17,935
Total operating expenses	691,479	197,844	123,355	1,012,678	422,960
OPERATING INCOME (LOSS)	(468,343)	106,981	(12,459)	(373,821)	15,271
NONOPERATING REVENUES					
Sales tax	375,943	-	-	375,943	-
Property tax	22,174	-	-	22,174	-
Intergovernmental	57,514	-	-	57,514	37
Interest earnings	4,356	3,220	1,150	8,726	2,807
DNR administration	-	-	3,623	3,623	-
Rental income	-	-	1,355	1,355	-
Landfill closure and post-closure care	-	-	19,330	19,330	-
Other nonoperating revenues	142	828	2,354	3,324	-
Total nonoperating revenues	460,129	4,048	27,812	491,989	2,844
NONOPERATING EXPENSES					
Interest	3,447	81,099	2,311	86,857	19,675
DNR administration	-	-	3,343	3,343	-
(Gain) Loss on disposal of capital assets	5,192	10,171	1,419	16,782	(481)
Other nonoperating expenses	236	2,937	1,741	4,914	955
Total nonoperating expenses	8,875	94,207	8,814	111,896	20,149
Income (loss) before contributions and transfers	(17,089)	16,822	6,539	6,272	(2,034)
Capital grants and contributions	17,638	2,431	6,161	26,230	1,137
Transfers in	-	-	574	574	1,054
Transfers out	(10)	(632)	(1,565)	(2,207)	(2,217)
CHANGE IN NET ASSETS	539	18,621	11,709	30,869	(2,060)
NET ASSETS - JANUARY 1, 20010	1,454,104	543,773	208,571		94,698
NET ASSETS - DECEMBER 31, 2010	\$ 1,454,643	\$ 562,394	\$ 220,280		\$ 92,638
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				4,328	
Change in net assets of business-type activities				\$ 35,197	

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(N THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 214,048	\$ 308,538	\$ 108,311	\$ 630,897	\$ 451,044
Cash payments to suppliers for goods and services	(186,443)	(77,713)	(49,898)	(314,054)	(315,852)
Cash payments for employee services	(388,341)	(40,110)	(48,665)	(477,116)	(83,129)
Other receipts	-	-	5,742	5,742	1,226
Other payments	-	-	(4,611)	(4,611)	-
Net cash provided (used) by operating activities	(360,736)	190,715	10,879	(159,142)	53,289
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants and subsidies received	471,858	-	-	471,858	38
Interfund loan principal amounts loaned to other funds	(116,118)	-	-	(116,118)	-
Interfund loan principal repayments from other funds	131,480	-	-	131,480	-
Interest paid on short-term loans	-	(762)	-	(762)	-
Interfund loan principal borrowed from other funds	-	96,313	-	96,313	-
Interfund loan principal repayment amounts	-	(82,633)	-	(82,633)	-
Transfers in	-	-	574	574	1,054
Transfers out	(10)	(632)	(1,565)	(2,207)	(2,217)
Net cash provided (used) by noncapital financing activities	487,210	12,286	(991)	498,505	(1,125)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(81,189)	(409,691)	(19,554)	(510,434)	(14,133)
Financing of environmental remediation	-	3,719	-	3,719	-
Proceeds from capital debt	27,573	436,909	-	464,482	-
Principal paid on capital debt	(8,354)	(78,625)	(4,915)	(91,894)	(6,585)
Interest paid on capital debt	(6,558)	(142,454)	(2,423)	(151,435)	(19,699)
Assessment principal, interest, and penalties received	400	-	-	400	(34)
Deferred Cost	-	18,666	-	18,666	-
Capital grants and contributions	29,853	2,431	7,691	39,975	196
Other capitalized payments	-	-	(3,324)	(3,324)	-
Proceeds from disposal of capital assets	559	-	665	1,224	889
Net cash used by capital and related financing activities	(37,716)	(169,045)	(21,860)	(228,621)	(39,366)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments (including unrealized gains/losses reported as cash and cash equivalents)	4,241	3,220	1,150	8,611	2,811
Proceeds from sales of investments	-	-	-	-	9,609
Net cash provided by investing activities	4,241	3,220	1,150	8,611	12,420
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	92,999	37,176	(10,822)	119,353	25,218
CASH AND CASH EQUIVALENTS - JANUARY 1, 2010	295,972	363,820	124,622	784,414	253,717
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2010	<u>\$ 388,971</u>	<u>\$ 400,996</u>	<u>\$ 113,800</u>	<u>\$ 903,767</u>	<u>\$ 278,935</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)
(PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES				
	PUBLIC TRANSPOR- TATION	WATER QUALITY	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (468,343)	\$ 106,981	\$ (12,459)	\$ (373,821)	\$ 15,271
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation and amortization	101,760	94,162	21,948	217,870	17,935
Other nonoperating revenue/expense	-	-	2,723	2,723	-
Changes in assets - (increase) decrease					
Accounts receivable, net	3,467	(1,860)	(2,108)	(501)	4,991
Due from other funds	285	(727)	156	(286)	263
Due from other governments, net	(5,935)	(9,550)	(392)	(15,877)	243
Inventory of supplies	(1,907)	(374)	(213)	(2,494)	236
Prepayments	404	75	-	479	2,979
Changes in liabilities - increase (decrease)					
Accounts payable	11,729	521	2,994	15,244	(3,436)
Due to other funds	66	(1,434)	212	(1,156)	(559)
Retainage payable	(153)	(14,416)	(41)	(14,610)	78
Rate stabilization	-	15,850	-	15,850	-
Wages payable	1,844	536	80	2,460	329
Taxes payable	92	-	(26)	66	(4)
Unearned revenues	(6,600)	-	-	(6,600)	1,434
Claims and judgments payable	-	-	-	-	2,237
Estimated claim settlements	-	-	-	-	10,396
Compensated absences	1,370	781	521	2,672	447
Other postemployment benefits	1,180	170	144	1,494	242
Customer deposits and other liabilities	5	-	(2,660)	(2,655)	207
Total adjustments	107,607	83,734	23,338	214,679	38,018
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (360,736)	\$ 190,715	\$ 10,879	\$ (159,142)	\$ 53,289

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Public Transportation received land from a government with a value of \$1,723 thousand and transferred land with a book value of \$4 thousand to the same entity. During 2010, the Enterprise transferred capital assets to other funds in the amount of \$236 thousand.

The King County International Airport issued capital bonds during 2010. The bond proceeds of \$5,691 thousand were placed in an escrow account with the purpose of defeasing \$5,280 thousand of outstanding bond principal.

The Stadium Fund transferred land to the General Government with a book value of \$473 thousand.

During 2010, Internal Service Funds received \$891 thousand of capital assets from other funds and transferred \$521 thousand of capital assets to other funds.

The Water Quality Fund issued capital bonds. The proceeds of \$39,289 thousand were placed in an escrow account for the defeasance of \$36,290 thousand of outstanding bond principal. In addition, the Enterprise received contributions of capital assets from the General Government in the amount of \$1,239 thousand.

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010
(IN THOUSANDS)

	<u>INVESTMENT TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 106,093
Assets held in trust - external investment pool	-	2,648,969
Assets held in trust - external impaired investment pool	-	9,994
Investments	2,658,454	2,790
Assets held in trust - individual investment accounts	-	891
Taxes receivable - delinquent	-	79,086
Accounts receivable	-	7,463
Interest receivable	1,400	-
Assessments receivable	-	7,086
Notes and contracts receivable	-	52
TOTAL ASSETS	<u>2,659,854</u>	<u>2,862,424</u>
LIABILITIES		
Warrants payable	-	73,149
Accounts payable	-	445
Wages payable	-	3,903
Custodial accounts - County agencies	-	51,741
Due to special districts/other governments	-	2,733,186
TOTAL LIABILITIES	<u>-</u>	<u>\$ 2,862,424</u>
NET ASSETS		
Held in trust for pool/individual investment account participants	<u>\$ 2,659,854</u>	

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

	<u>INVESTMENT TRUST FUNDS</u>
ADDITIONS	
Contributions	\$ 8,417,320
Net investment earnings	
Interest	24,655
Increase in the fair value of investments	<u>58</u>
TOTAL ADDITIONS	8,442,033
DEDUCTIONS	
Distributions	<u>8,308,361</u>
Change in net assets	133,672
Net assets - January 1, 2010	<u>2,526,182</u>
Net assets - December 31, 2010	<u><u>\$ 2,659,854</u></u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2010
(IN THOUSANDS)

	Harborview Medical Center	WSMLB Stadium Public Facilities District	Cultural Development Authority	Total
ASSETS				
Cash and cash equivalents	\$ 198,117	\$ 3,435	\$ 5,885	\$ 207,437
Investments	-	-	42,944	42,944
Receivables, net	128,115	3	832	128,950
Due from primary government	-	-	1,103	1,103
Inventories	8,234	-	-	8,234
Prepayments	1,956	13	-	1,969
Non-depreciable assets	17,272	38,424	-	55,696
Depreciable assets, net of depreciation	395,923	371,259	-	767,182
Deposits with other governments	600	-	-	600
Other assets	12,261	-	-	12,261
Total assets	<u>762,478</u>	<u>413,134</u>	<u>50,764</u>	<u>1,226,376</u>
LIABILITIES				
Accounts payable and other current liabilities	50,679	36	674	51,389
Accrued liabilities	34,552	-	-	34,552
Unearned revenues	230	-	5,997	6,227
Noncurrent liabilities				
Due within one year	1,366	3,271	451	5,088
Due in more than one year	22,169	32,770	1,904	56,843
Total liabilities	<u>108,996</u>	<u>36,077</u>	<u>9,026</u>	<u>154,099</u>
NET ASSETS				
Invested in capital assets, net of related debt	408,341	373,642	-	781,983
Restricted for:				
Expendable	20,852	-	17,715	38,567
Nonexpendable	2,518	-	26,378	28,896
Unrestricted	221,771	3,415	(2,355)	222,831
Total net assets	<u>\$ 653,482</u>	<u>\$ 377,057</u>	<u>\$ 41,738</u>	<u>\$ 1,072,277</u>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)**

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component units:				
Harborview Medical Center	\$ 720,823	\$ 696,146	\$ 7,180	\$ 5,661
WSMLB Stadium	15,107	4,123	-	974
Cultural Development Authority	9,657	85	11,140	-
Total component units	\$ 745,587	\$ 700,354	\$ 18,320	\$ 6,635
General revenues				
Interest earnings				
C hange in net assets				
Net assets - January 1, 2010 (Restated - see Note 17)				
Net assets - December 31, 2010				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Harborview Medical Center	WSMLB Stadium Public Facilities District	Cultural Development Authority	Total
\$ (11,836)	\$ -	\$ -	\$ (11,836)
-	(10,010)	-	(10,010)
-	-	1,568	1,568
(11,836)	(10,010)	1,568	(20,278)
3,796	40	1,734	5,570
(8,040)	(9,970)	3,302	(14,708)
661,522	387,027	38,436	1,086,985
<u>\$ 653,482</u>	<u>\$ 377,057</u>	<u>\$ 41,738</u>	<u>\$ 1,072,277</u>

Note 1**Summary of Significant Accounting Policies****The Reporting Entity**

The reporting entity "King County" consists of King County Government as the primary government; the Harborview Medical Center (HMC), the Washington State Major League Baseball Stadium Public Facilities District (PFD), and the Cultural Development Authority of King County (CDA) as "discretely presented" component units. "Blended" component units include the King County Ferry District, the Flood Control Zone District, and four Building Development and Management Corporations. Most funds in this report pertain to the entity King County Government or component units. Certain agency funds, referred to as Agency Funds – Special Districts/Other Governments, pertain to the County's custodianship of assets belonging to independent governments and special districts. Under the County's Home Rule Charter, the King County Executive is the *ex officio* treasurer of all special districts of King County, other than cities and towns and the Port of Seattle. Pursuant to County ordinance, the Director of the Finance and Business Operations Division (FBOD) is responsible for the duties of the comptroller and treasurer. Money received from or for the special districts is deposited in a central bank account. The Director of the FBOD invests or disburses money pursuant to the instructions of the respective special districts.

Component Units – Discretely Presented**Harborview Medical Center (HMC)**

The Harborview Medical Center (HMC), a 413 licensed-bed hospital with extensive ambulatory services, is located in Seattle, Washington. HMC is managed by the University of Washington (UW). The HMC Board of Trustees is appointed by the County Executive. The County Director of the Finance and Business Operations Division is the Treasurer of HMC. The management contract between the HMC Board of Trustees and the UW Board of Regents recognizes the Trustees' desire to maintain HMC as a means of meeting the King County Government's obligation to provide the community with a resource for health services, and UW's desire that HMC be maintained as a continuing resource for education, training, and research. The general conditions of the management contract specify that King County

retains title to all real and personal property acquired for King County with HMC capital or operating funds. The Trustees determine major institutional policies and retain control of programs and fiscal matters. The Trustees agree to secure UW's recommendations on any changes to the above. The Trustees are accountable to the public and King County Government for all financial aspects of HMC's operation and agree to maintain a fiscal policy that keeps the operating program and expenditures of HMC within the limits of operating income.

HMC is a component unit of the County for the following reasons: (1) it is a separate legal entity having its own corporate powers; (2) the County Executive appoints HMC's Board of Trustees, who may be removed only for statutorily defined causes and subject to legal appeal; and (3) although the County cannot impose its will on HMC, the unit creates a financial burden on the County because the County is responsible for the issuance and debt service of all general obligation bonds for HMC capital improvements. HMC's financial presentation is on the discrete component unit basis because the County and HMC's governing bodies are not substantively the same, and HMC does not provide services solely to King County. HMC financial data is as of its fiscal year-end, June 30, 2010, rather than the County's fiscal year-end of December 31, 2010.

The primary classification of HMC is that of a component unit, however the County is the issuer of HMC's general obligation bonds. Note 14 - "Debt," reports on all the general obligation bonds issued by the County as of December 31, 2010, including bonds reported by HMC as a component unit as of June 30, 2010.

HMC hires independent auditors and prepares its own audited financial statements. These statements may be obtained from the Finance Section of the Harborview Medical Center, 325 9th Ave., Seattle, Washington, 98104.

Washington State Major League Baseball Stadium Public Facilities District (PFD)

The Washington State Major League Baseball Stadium Public Facilities District (PFD) is the agency created by the Metropolitan King County Council (Ordinance 12000) on October 24, 1995, as authorized under chapter 36.100 Revised Code of Washington (RCW). The PFD operates as a

municipal corporation of the State of Washington and was formed to site, design, build, and operate a major league baseball park. The PFD is governed by a seven-member board of directors, four of whom are appointed by the County Executive. The other three are appointed by the Governor of the State of Washington. The County, as the *ex officio* treasurer for the PFD, maintains several funds to account for construction, debt redemption, and special revenue collection. Construction was financed by 1997 general obligation bond issues and contributions from the Baseball Club of Seattle. Debt service on the bonds is supported by sales and use taxes, special lottery proceeds, special license plate sales, and an admissions tax. The stadium was completed in 1999 and is reported as an asset of the PFD.

The PFD is a component unit of the County for the following reasons: (1) it is a separate legal entity; (2) a majority of its board of directors (4 of 7) are appointed by the County Executive; and (3) there exists an indirect financial burden relationship between the PFD and the County since the County issued the bonds for the construction of the stadium, thereby making the County ultimately responsible for the debt. The PFD's financial statements are discretely presented because the two governing boards are not substantively the same, and the PFD does not provide services solely to King County government.

The PFD reports on a fiscal year-end consistent with the King County primary government. It issues its own financial statements, which are audited by the State Auditor. These statements may be obtained from the Public Facilities District, P.O. Box 94445, Seattle, Washington 98124.

Cultural Development Authority of King County (CDA)

The Cultural Development Authority of King County (CDA) is a public authority organized pursuant to chapter 35.21 RCW and King County Ordinance 14482. The CDA commenced operations on January 1, 2003, and began doing business as "4Culture" effective April 4, 2004. It was created to support, advocate for and preserve the cultural resources of the region in a manner that fosters excellence, vitality, and diversity.

The CDA is located in Seattle, Washington, and is governed by a 15-member board of directors and five *ex officio* members. The directors are appointed by the County Executive and confirmed by the County Council. The CDA receives various funds

from King County and other sources that are designated for arts, cultural and public art use, including a portion of the revenue generated by the King County lodging tax and one percent of King County expenditures for certain construction projects.

The CDA is a component unit of the County for the following reasons: (1) it is a separate legal entity (public authority); (2) the CDA's board of directors is appointed by the County Executive (from a nonrestrictive pool of candidates) and confirmed by the County Council; and (3) the County is able to impose its will on the CDA, for example, the County has the power to remove a director from the CDA board and the power to dissolve the CDA. The CDA's financial presentation is as a discrete component unit because the County and CDA's governing bodies are not substantively the same and the CDA does not provide services solely to King County.

The CDA reports on a fiscal year-end consistent with the King County primary government. It issues its own financial statements, which are audited by the State Auditor. These statements may be obtained from the Cultural Development Authority of King County at 4Culture, 101 Prefontaine Place South, Seattle, Washington 98104.

Component Units – Blended

King County Ferry District

The King County Ferry District (KCFD) was created under the authority of chapter 36.54 RCW to expand local transportation options through water taxi services. By statute, the King County Council serves as the Board of Supervisors for the KCFD.

The KCFD is a component unit of the County for the following reasons: (1) it is a legally separate entity established as a quasi-municipal corporation and independent taxing authority; (2) King County appoints the voting majority of the KCFD board because the County Council members are the *ex officio* supervisors of the KCFD; and (3) the County can impose its will on the KCFD. The KCFD financial presentation is on a blended basis because the two governing boards are substantively the same. It issues its own financial statements, which are audited by the State Auditor. Financial statements for the KCFD are included with other Nonmajor Special Revenue Funds in the Governmental Funds section of this CAFR.

Flood Control Zone District

The Flood Control Zone District (FCZD) was created under the authority of chapter 86.15 RCW to manage, plan, and construct flood control facilities within district boundaries. By statute, the King County Council serves as the Board of Supervisors for the FCZD.

The FCZD is a component unit of the County for the following reasons: (1) it is a legally separate entity established as quasi-municipal corporation and independent taxing authority; (2) King County appoints the voting majority of the FCZD board because the County Council members are the *ex officio* supervisors of the FCZD; and (3) the County can impose its will on the FCZD. The FCZD financial presentation is on a blended basis because the two governing boards are substantively the same. It issues its own financial statements, which are audited by the State Auditor. Financial statements for the FCZD are included with other Nonmajor Special Revenue Funds in the Governmental Funds section of this CAFR.

Building Development and Management Corporations

King County has project lease agreements with four Washington state nonprofit corporations, each a single-purpose entity created to assist the County in the development and construction of public buildings. Each agreement provided for the design and construction of a specific building to be financed with bonds, the majority of which are tax-exempt, issued on behalf of the County by each of the corporations in accordance with IRS Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the agreements, the buildings are leased by the County from the nonprofit corporations under guaranteed monthly rent payments throughout the term of the lease or until the debt is retired, after which ownership transfers to the County.

These nonprofit corporations are recognized as component units of the County in accordance with GASB Statement 14. Although they have independently appointed boards, the nature and significance of their relationships with the County's primary government are such that their exclusion would cause the King County reporting entity's financial statements to be misleading or incomplete. Because they provide services exclusively to the County, these corporations are reported using the blended method. A single internal service fund, the Building Development

and Management Corporations Fund, is used to report the activities of the corporations.

The nonprofit corporations and the related buildings under their management include: (1) CDP-King County III for the King Street Center building; (2) Broadway Office Properties for the Patricia Steel Memorial building; (3) Goat Hill Properties for the Goat Hill Parking Garage and the Chinook Building; and (4) NJB Properties for the Ninth & Jefferson Building. Separately issued and independently audited financial statements may be obtained from the National Development Council, 1425 4th Avenue, Suite 608, Seattle, WA 98101.

Joint Venture

The Seattle-King County Workforce Development Council (WDC) is a joint venture between King County and the City of Seattle. It was established as a nonprofit corporation in the State of Washington on July 1, 2000, as authorized under the Workforce Investment Act of 1998. It functions as the United States Department of Labor pass-through agency to receive the employment and training funds for the Seattle-King County area. The King County Executive and the Mayor of the City of Seattle, serving as the chief elected officials of the local area, have the joint power to appoint the members of the WDC board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because of potential liability to grantors for disallowed costs. If expenditure of funds is disallowed by a grantor agency, the WDC can recover the funds from (in order): (1) the agency creating the liability; (2) the insurance carrier; (3) future program years; and (4) as a final recourse, from King County and the City of Seattle, each responsible for one-half of the disallowed amount. As of December 31, 2010, there are no outstanding program eligibility issues that might lead to a liability on the part of King County.

The WDC contracts with King County to provide programs related to dislocated workers, welfare to work, and workforce centers. For 2010 the WDC reimbursed King County approximately \$1.9 million for the Work Training Program and \$2.7 million for the Dislocated Worker Program in eligible program costs.

Separately issued and independently audited financial statements may be obtained from the Workforce Development Council, 2003 Western Avenue, Suite 250, Seattle, Washington 98121.

Related Organizations

Four entities are classified as related organizations because they are legally separate entities, though each is related to King County. These are the King County Library System (KCLS), the Library Capital Facility District (LCFD), the King County Housing Authority (KCHA), and the Washington State Convention Center (WSCC) public facilities district. The County Council appoints a majority of the board of the KCLS and the KCHA and selected Councilmembers make up the three-member board of the LCFD. There is no evidence that the County Council can influence the programs and activities of these four organizations or that they create a significant financial benefit or burden to the County. For these reasons, they are related organizations.

The WSCC was created in July 2010 to acquire, own and operate the convention and trade center transferred from the public nonprofit corporation that owned the Washington State Convention Center. The district's initial board of directors consists of those nine directors who served at the time of the transfer. Following the expiration of the terms of the initial board, three members will be nominated by the County Executive subject to confirmation by the County Council, three members will be nominated by the City of Seattle, and three members will be appointed by the Washington state governor.

The County serves as the treasurer for the KCLS and the LCFD, providing services such as tax collection and warrant issuance. Due to this fiduciary relationship, these districts are reported as agency funds to distinguish them from County funds.

Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule include interfund services provided and used between functions which are not eliminated because to do so would misstate both the expenses of the purchasing function and the program revenues of the selling function. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-

type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses that have been allocated from general government to various functional activities are reported in a separate column. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. The County also has 67 nonmajor Special Revenue and Capital Projects funds that are combined into 17 roll-up funds.

Major Governmental Funds

The County reports two major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in other funds.

The Public Health Fund is used to finance health service centers located throughout King County and public health programs. The Public Health Fund supports clinical health services/primary care assurance, management and business practice, population and environmental health services, and targeted community health services.

Major Proprietary Funds

The County reports two major proprietary funds:

The Public Transportation Enterprise accounts for the operations, maintenance, capital improvements, and expansion of public transportation facilities in King County under the King County Metro Transit Division. Primary revenue sources include sales tax and passenger service fees. Construction and fleet replacement are funded through sales tax, bond issuance, and federal grants.

The Water Quality Enterprise accounts for the operations, capital improvements, and maintenance of the County's water pollution control facilities. The enterprise has two large treatment plants, the West Point Treatment Plant in Seattle and the South Treatment Plant in Renton, as well as two smaller facilities, the Carnation and Vashon Island Treatment Plants.

Nonmajor Governmental Funds

Special Revenue Funds are used to account for a variety of County programs including alcohol and substance abuse, the arts, an automated fingerprint identification system, community development, road maintenance, emergency medical services, the enhanced 911 emergency telephone system, local hazardous waste management, mental health services, parks, surface water management, and other services.

Debt Service Funds are used by the County to account for the accumulation of resources for, and the payment of, principal and interest on the County's general obligation bonds, and special assessment debt for certain Districts.

Capital Projects Funds are used to account for the acquisition, construction, and improvement of major capital assets and other capital-related activities such as infrastructure preservation, major maintenance of building facilities, office space leasing, storm management projects, technology systems, arts and historic preservation, and other projects.

Nonmajor Proprietary Funds

Enterprise Funds are used to account for the County's business-type operations, including the King County International Airport, solid waste disposal facilities, and other services.

Internal Service Funds are used to account for the provision of motor pool, data processing, risk management, construction and facilities management, financial, employee benefits program,

and other services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The Wastewater Equipment Rental Fund was established to serve the Water Quality Enterprise. This fund is reported under business-type activities in the government-wide statements.

Fiduciary Funds

Investment Trust Funds are used to report investment activity conducted by King County on behalf of legally separate entities such as special districts and public authorities that are not part of the County's reporting entity.

King County recognizes two major classifications of Agency Funds: (1) those used with the operations of county government, such as the Undistributed Taxes Fund and the Accounts Payable Clearing Fund; and (2) those which account for cash received and disbursed in the County's capacity as *ex officio* treasurer or collection agent for special districts and other governments, such as school districts and fire districts.

Bases of Accounting, Measurement Focus, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of, the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating

revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. User fees (sewage fees, passenger fares, disposal charges, etc.) charged by the County's enterprise funds for the use of its business-type facilities and charges for services of internal service funds are classified as operating revenues. Rental income is operating revenue to the Airport enterprise, whose principal operation is leasing real property. The corresponding costs of service provision and delivery, including direct administration costs, depreciation or amortization of capital assets, and other allocations of future costs to current year operations (e.g., landfill post-closure, other postemployment benefits), comprise operating expenses. All other revenues and expenses not meeting this definition are reported as nonoperating.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues, such as retail sales and use taxes, to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payments are due.

Terminology

Expenditure Functions

General Government Services – Provided by the legislative and administrative branches of the government entity for the benefit of the public or governmental body as a whole. This function includes the County Council, County Executive, Office of Management and Budget, Office of Information Resources Management, Records and Licensing Services, Elections, and Assessments.

Law, Safety and Justice – Essential to the safety of the public, including expenditures for law enforcement, detention and/or correction, judicial operations, protective inspections, emergency services, and juvenile services. This function includes the Sheriff's Office, Prosecuting Attorney, Superior Court, District Court, Public Defense, Judicial Administration, Adult and Juvenile Detention, and Emergency Medical Services.

Physical Environment – Provided to achieve a satisfactory living environment for the community and the individual. This function includes Natural Resources, River Improvement, Animal Control, Surface Water Management, and River and Flood Control Construction.

Transportation – Provided by the governmental entity for the safe and adequate flow of vehicles and pedestrians that includes expenditures for road and street construction, maintenance, transportation facilities and systems, and general administration. This function includes Road Services, Arterial Highway Development, Renton Maintenance Facilities, and county road construction.

Economic Environment – Provided for the development and improvement of the welfare of the community and individual. This function includes expenditures for employment opportunity and development, veterans' services, child-care services, and services for the aging and disabled. This function includes Veterans' Relief, Youth Employment Programs, Office of Aging, Women's Programs, Development and Environmental Services, and Planning and Community Development.

Mental and Physical Health – Provided to promote healthy people and healthy communities by preventing and treating mental, physical, and environmentally induced illnesses. This function includes expenditures for community mental health, communicable diseases, environmental health, public health clinics and programs, alcoholism treatment, drug abuse prevention, programs for the mentally disabled and mentally ill, the medical examiner, hospitals, and jail health services. This function also includes regional hazardous waste management.

Culture and Recreation – Provided to increase the individual's understanding and enjoyment that includes expenditures for education, libraries, community events, parks, and cultural facilities.

This function includes Parks, Cooperative Extension Service, and various Park Capital Project Funds.

Debt Service – Accounts for the redemption of general long-term debt principal and interest and other debt service costs in the General, Special Revenue, Debt Service, and Capital Projects Funds and payments to escrow agents other than refunding bond proceeds.

Capital Outlay – Accounts for expenditures related to capital projects and expenditures for capital assets acquired by outright purchase and by capital lease financing agreements.

Certain Accounts are Grouped on the Statement of Net Assets:

- The asset account *Receivables, net* combines Taxes receivable – delinquent; Accounts receivable, net; Other receivables, net; Interest receivable; Notes and contracts receivable; and Due from other governments, net.
- The asset account *Deferred charges* combines Deferred – environmental remediation costs, Deferred charges – issuance costs, and Due from employees.
- The liability account *Accounts payable and other current liabilities* combines Accounts payable, Due to other governments, Taxes payable, Contracts payable, Custodial accounts, and other liabilities.
- The liability account *Accrued liabilities* combines Wages payable and Interest payable.
- The liability account *Noncurrent liabilities* includes Claims and judgments payable, Estimated claim settlements, General obligation bonds, Special assessment bonds, Revenue bonds payable, Excess earnings liabilities, Capital leases, State revolving loan payable, Compensated absences, Environmental and property remediation, Unamortized premium or discount on bonds sold, Deferred charges – refunding losses, and other liabilities.

Cash and Cash Equivalents

Cash and cash equivalents consists of: Cash and pooled investments, Petty cash/change funds, Cash with escrow agent, and Cash held in trust.

All County funds and most component units and special districts participate in the King County Investment Pool (the Pool) maintained by the King County Treasury Operations Section. (See Note 4 - “Deposits, Investments and Receivables.”) The Pool consists of internal and external portions. For Pool participants, the Pool functions essentially as a demand deposit account where participants receive an allocation of their proportionate share of pooled earnings. Each fund’s equity share of the internal portion of the Pool’s net assets is reported on the balance sheet as Cash and cash equivalents and reflects the change in fair value of the corresponding investment securities. Included in the internal portion of the Pool is the investment of short-term cash surpluses not otherwise invested by individual funds. The interest earnings related to investment of short-term cash surpluses are allocated to the General Fund in accordance with legal requirements and are used in financing general County operations.

Investments (See Note 4 – “Deposits, Investments and Receivables”)

In addition to pooled investments described under Cash and cash equivalents, King County holds other investments in qualified public depositories for County government and special districts for which, either by Washington state law or by contract, King County is the custodian. Money is invested as directed by the governing authority for the fund or agency and proceeds are returned to the investing fund.

Investments purchased for individual funds are reported as investments, regardless of length of maturity. Those attributed to both the external portion of the Pool and those in individual investment accounts are classified as “Investments” in separate investment trust funds. Statements of participants in the Pool’s internal portion report pooled investments as cash equivalents. Statements of participants in the external portion report pooled investments as “Assets held in trust – external investment pool.” Special district funds with individual investment accounts report their portion of net assets as “Assets held in trust – individual investment accounts.” Investments are reported at fair value in compliance with the GASB Codification,

Section 150.105, which provides for reporting investments of governmental entities using fair value. Fair value is the amount at which a financial instrument could be exchanged in a transaction between willing parties, other than in a forced or liquidation sale. See Note 4 - "Deposits, Investments and Receivables."

Receivables

Receivables include charges for services rendered by the County or intergovernmental grants. All unbilled service receivables are recorded at year-end. The provisions for estimated uncollectible receivables are reviewed and updated at year-end. These provisions are estimated based on an analysis of an aging of the year-end Accounts receivable balance and/or the historical rate of uncollectibility.

Taxes Receivable – Property taxes levied for the current year are recorded on the balance sheet as Taxes receivable and Deferred revenues. Property taxes are recognized as revenue when collected in cash at which time the balance sheet accounts, Taxes receivable and Deferred revenues, are reduced by the amount of the collection. The amount of taxes receivable at year-end that would be collected soon enough to be used to pay liabilities of the current period is not material. At year-end all uncollected property taxes are reported on the balance sheet as Taxes receivable – delinquent and Deferred revenues.

Abatements Receivable – This account records the unpaid abatement costs due the County from violations reported by the Code Enforcement Section on property within the County. Revenue is recognized when payment is received. Abatement costs may be certified to the property tax parcel; as a result, these costs might not be paid until the property is sold, which may take years.

Civil Penalties Receivable – This account records the unpaid civil penalty costs due the County from violations reported by the Code Enforcement Section within the County. Revenue is recognized when payment is received. Liens may be filed by the County against the property and are released once the penalties have been paid.

Assessments Receivable – In the governmental funds, unpaid assessments are reported in three accounts: Current, Delinquent, and Deferred. Current assessments are those due within one year, Delinquent assessments are past due, and Deferred

assessments are due in the future. Revenues from the assessments are recognized as they become current; that is, both measurable and available to finance expenditures of the current period.

Short-term Interfund Receivables and Payables – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Interfund short-term loans receivable/payable," (the current portion of interfund loans), or "Advances to/from other funds," (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "Due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal balances."

Advances to/from Other Funds – Noncurrent portions of long-term interfund loans are reported as Advances. In governmental funds they are offset equally by a fund balance reserve account that indicates they do not constitute expendable available financial resources and are not available for appropriation.

Inventories

Inventories of governmental funds are recorded using the consumption method; expenditures are recognized when inventories are actually consumed. Proprietary funds expense inventories when used or sold. The first-in, first-out (FIFO) valuation method is used by the Solid Waste, King County International Airport, Radio Communications, Construction and Facilities Management, and Public Health Funds. The Weighted Average valuation method is used by the Motor Pool Equipment Rental Fund, Public Works Equipment Rental Fund, and the Public Transportation and Water Quality Enterprises.

Prepayments

Payments made to vendors for goods or services that will benefit future periods are recorded as prepaid items.

Capital Assets (See Note 6 – "Capital Assets")

Capital assets include: Land (fee simple land, rights-of-way and easements, and farmland development rights); Infrastructure (roads and bridges network); Buildings; Improvements other than buildings;

Furniture, machinery and equipment; and Work in progress. General capital assets, including those in internal service funds that support governmental funds, are reported in the governmental column of the government-wide Statement of Net Assets. Capital assets of enterprise funds, including those in internal service funds that exclusively support enterprise funds, are reported in the business-type column of the government-wide Statement of Net Assets. Enterprise and internal service fund capital assets are also reported in the individual proprietary fund Statement of Net Assets. The capitalization threshold in the King County Primary Government is \$5 thousand for furniture, machinery and equipment, \$25 thousand for software, and \$50 thousand for buildings, building improvements, and other improvements.

Because the County is committed to maintaining the infrastructure indefinitely, it has elected to use the modified approach to infrastructure reporting in lieu of the depreciation method. The County is eligible to use the modified approach because it has an asset management system in place that allows for constant monitoring of the infrastructure to ensure that assets are maintained and preserved at the predetermined condition level set by the Road Services Division. The asset management system tracks the mileage, condition, and the actual and planned maintenance and preservation costs of individual infrastructure assets.

Certain equipment and facilities used in the Solid Waste Enterprise landfill closure and post-closure activities are not reported as capital assets. Instead, the liability for landfill post-closure care is reduced by the extent of these costs.

Capital assets are valued at historical cost or estimated historical cost where actual historical cost is not available. Donated capital assets are valued at their estimated fair market value at the time of donation. Expenditures for normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item, or extend its useful life beyond the original estimate, are expensed as incurred. Expenditures for repairs and upgrades that materially add to the value or life of an asset are capitalized. Costs incurred to extend the life of governmental infrastructure assets are considered preservation costs and are therefore not capitalized.

Capital assets other than land, infrastructure, and artwork are depreciated in accordance with GASB Statement No. 34. As with business-type capital assets, provision is made for depreciation over the estimated useful lives of the depreciable assets using the straight-line method.

Using the straight-line method, capital assets and their components are depreciated over their estimated useful lives as follows:

<u>Description</u>	<u>Estimated Useful Life</u>
Buildings - constructed	40 - 60 years
Buildings - transfer stations, shops, scales offices, etc.	10 - 30 years
Buses and trolleys	12 - 18 years
Cars, vans, and trucks	5 - 10 years
Data processing equipment	3 - 10 years
Downtown transit tunnel	50 years
Heavy equipment	7 - 20 years
Medical and office equipment, software	3 - 25 years
Sewer lines	50 years
Shop equipment	5 - 20 years
Telecommunications equipment	3 - 20 years

Deferred Charges

The government-wide financial statements and proprietary fund types in the fund financial statements defer expenditures for debt issuance, which are amortized over the life of the respective bond issues. The Public Transportation Enterprise includes certain amounts due from employees as deferred charges. The Water Quality Enterprise defers environmental remediation costs, which are amortized over 40 years. The Building Development and Management Corporations Fund defers organizational start-up costs and amortizes over 5 years. Both the government-wide and proprietary fund types in the fund financial statements defer bond premiums, discounts, and refunding losses, which are reported in the Statement of Net Assets under Noncurrent liabilities and in the fund financial statements under Long-term liabilities.

Deferred Revenues

Deferred revenues include: (1) amounts collected before revenue recognition criteria are met, such as deferred parks program revenue and building and land development permit fees; (2) receivables and uncollected delinquent taxes that, under the modified accrual basis of accounting, are measurable but not yet available; and (3) a Water Quality Enterprise rate stabilization reserve (see next section on regulatory deferrals).

Regulatory Deferrals

The King County Council has taken various regulatory actions resulting in differences between the recognition of revenues for rate-making purposes in the Water Quality Enterprise fund and their treatment under generally accepted accounting principles for nonregulated entities. Currently, the Water Quality Enterprise is authorized to apply the accounting treatment of costs under Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 71 (FAS 71), *Accounting for the Effects of Certain Types of Regulation*. Water Quality meets FAS 71 criteria because the rates for its services are regulated by the King County Council, and the regulated rates chargeable to its customers are designed to recover the enterprise's allowable costs of operations.

Rate Stabilization – The County Council established a Rate Stabilization Reserve in the Water Quality Enterprise fund. This allows for deferral of certain operating revenues as a liability to be recognized in subsequent years through amortization in order to maintain stable sewer rates.

Regulatory Assets – In 2006, the County Council approved the application of FASB Statement No. 71 to treat pollution remediation obligations as regulatory assets to allow for cost recovery through future rate increases. The portion that has been paid out is being amortized over a recovery period of 30 years.

Rebatable Arbitrage

The County's tax-exempt debt is subject to arbitrage restrictions as defined by the Internal Revenue Code. All of the County's bonded debts are tax-exempt except certain taxable debts as identified in Note 14 - "Debt." Arbitrage occurs when the funds borrowed at tax-exempt rates of interest are invested in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government except when spending exceptions rules are met. The County does not recognize a liability for arbitrage at the fund level unless this liability is due and payable at the end of the year. At the government-wide level, the liability is recognized during the period the excess interest is earned.

Compensated Absences

Eligible King County employees earn 12 days of sick leave and 12 to 30 days of vacation per year. An unlimited amount of sick leave and a maximum of 60 days of vacation may be carried over at year-end. An employee leaving employment at King County is entitled to be paid for unused vacation leave and, if leaving employment due to death or retirement, for 35 percent of the value of unused sick leave. For reporting purposes, a variety of factors are used to estimate the portion of the accumulated sick leave that is subject to accrual.

A liability is accrued for estimated excess compensation liabilities to the Washington State Department of Retirement Systems based on an employee's accrued vacation and sick leave. An excess compensation liability is incurred when an employee whose retirement benefits are based in part on excess compensation receives a termination or severance payment defined by the State as excess compensation. This includes, but is not limited to, a cashout of unused annual leave in excess of 240 hours and a cashout of any other form of leave.

All vacation pay liability and a portion of sick leave liability is accrued in the government-wide and proprietary statements.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, refunding losses, as well as issuance costs, are deferred and amortized over the life of the bonds using outstanding principal balance method. Bonds payable are reported net of the applicable bond premium or discount. Bond refunding losses and issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, as well as bond issuance cost, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reserves of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

New Accounting Standard

In June 2007, the Governmental Accounting Standards Board issued Statement No. 51, *Accounting and Reporting for Intangible Assets*. This Statement establishes accounting and financial reporting requirements for recognition, initial measurement and amortization of intangible assets. The statement is effective for reporting periods beginning after June 15, 2009, and was adopted by the County in 2010 without a material impact on the County's financial statements.

Note 2**Reconciliation of Government-wide and Fund Financial Statements****Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets (in thousands):**

The governmental funds balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds."

Bonds payable	\$ 724,999
Less: Deferred charge on refunding (to be amortized as interest expense)	(9,021)
Deferred charge for issuance costs (to be amortized over the life of the debt)	(3,838)
Plus: Unamortized premiums on bonds sold	24,233
Accrued interest payable	5,351
Compensated absences	82,935
Unemployment compensation payable	2,466
Other postemployment benefits	<u>23,877</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ 851,002</u></u>

Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (in thousands):

fund balances - total governmental funds and changes in net assets of governmental activities reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in*

Capital outlay	\$ 115,402
Depreciation expense	<u>(32,212)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 83,190</u></u>

Another element of that reconciliation states, "The net effect of various miscellaneous transactions

involving capital assets (e.g., sales, trade-ins, and donations) is to increase net assets."

In the statement of activities, only the gain on the sale of capital assets is reported. In the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the book value of the capital assets sold.

\$ 116,036

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

(82,783)

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ 33,253

Another element of that reconciliation states, "Revenues in the statement of activities that do not

provide current financial resources are not reported as revenues in the governmental funds."

Property tax accrual

\$ 38

Surface Water Management service charge accrual

92

Probation and parole service charge accrual

82

Fines and forfeits net accrual

1,460

Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ 1,672

Another element of that reconciliation states, "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any

effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

Debt issued or incurred

Issuance of general government debt

\$ 82,465

Issuance of refunding bonds

41,250

Premium on bonds sold

6,520

Bond issuance costs

(815)

Principal repayments

(62,901)

Receipts from component units for principal repayments

1,211

Payment to escrow agent

(59,767)

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ 7,963

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources

and therefore are not reported as expenditures in governmental funds."

Compensated absences	\$ 2,806
Accrued unemployment compensation	(112)
Other postemployment benefits	6,092
Accrued rebatable arbitrage	(17)
Accrued interest	(310)
Amortization of issuance costs	705
Amortization of deferred charge on refunding	2,977
Amortization of bond premiums	<u>(4,844)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 7,297</u>

Another element of that reconciliation states, "Net revenues and expenses of certain activities of

internal service funds are reported with governmental activities."

Investment interest earnings	\$ (2,723)
Revenues related to services provided to outside parties	(4,154)
Expenses related to services provided to outside parties	4,408
Gain on disposal of capital assets	(406)
Interest on long-term debt	19,675
Capital contributions	(1,096)
Transfers in	(1,054)
Transfers out	2,635
Internal service fund gains allocated to governmental activities	<u>(10,897)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 6,388</u>

Explanation of certain differences between the Proprietary Funds Statement of Net Assets and the Government-wide Statement of Net Assets (in thousands):

The proprietary funds statement of *net assets* includes a reconciliation between *net assets - total enterprise funds* and *net assets of business-type activities* as reported in the government-wide

statement of net assets. The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The assets and liabilities of one internal service fund, Wastewater Equipment Rental Fund, are included in the business-type activities in the statement of net assets because the fund was established to serve the Water Quality Enterprise.

Net assets of the business-type activities internal service fund	\$ 11,173
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	1,818
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	<u>3,300</u>
Net adjustment to increase <i>net assets - total enterprise funds</i> to arrive at <i>net assets of business-type activities</i>	<u>\$ 16,291</u>

Explanation of certain differences between the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets and the Government-wide Statement of Activities (in thousands):

The proprietary funds statement of revenues, expenses, and changes in fund net assets includes

a reconciliation between *change in net assets - total enterprise funds* and *change in net assets of business-type activities* as reported in the government-wide statement of activities. The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds."

Investment interest earnings	\$ 84
Revenues related to services provided to outside parties	85
Expenses related to services provided to outside parties	(83)
Gain on disposal of capital assets	75
Transfers in	41
Transfers out	(102)
Internal service fund gains allocated to business-type activities	<u>4,228</u>
Net adjustment to increase <i>net assets - total enterprise funds</i> to arrive at <i>net assets of business-type activities</i>	<u>\$ 4,328</u>

Note 3**Stewardship, Compliance, and Accountability****Bases of Budgeting**

With the exception of the reconciling items described in the Reconciliation of Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis Statements and Schedules section of this note, King County uses the modified accrual basis of budgeting for the General Fund and most Debt Service and Special Revenue Funds. Revenues are estimated on the basis of when they become susceptible to accrual. Budgeted appropriations include both expenditures and other financing uses; they are budgeted based on liabilities expected to be incurred in the acquisition of goods and services. These are annual budgets applicable to the current fiscal year.

Two Special Revenue Funds (the County Road Fund and the Marine Operating Fund) have adopted biennial budgets for 2010 and 2011.

Two Special Revenue Funds (the Community Development Block Grant Fund and the Miscellaneous Grants Fund) do not have an annual budget. Budgets within these funds are on a multiyear basis with the budget for a particular program covering one or more fiscal years. Total revenues and expenditures for the program are budgeted at its inception and any unexpended balance at the end of the fiscal year is reappropriated to the next fiscal year.

The Flood Control Zone District Fund, the King County Ferry District Fund, the Parks Trust and Contribution Fund, the Road Improvement Districts Maintenance Fund, and the Treasurer's Operations and Maintenance Fund are not budgeted.

Four Debt Service Funds have annual budgets. Three have annual budgets with budgeting concepts identical to the General Fund. The fourth budgeted Debt Service Fund, the Road Improvement Guaranty Fund, is budgeted only in

the exceptional case of transfers of surplus to the County Road Fund.

The Road Improvement Districts Special Assessment Debt Redemption Fund is not budgeted.

All funds in the Capital Projects Fund type, except the Road Improvement Districts Construction Fund, are controlled by multiyear budgets. However, capital budget appropriations are canceled at the end of the year unless the County Executive submits to the County Council the report of the final year-end reconciliation of expenditures for all capital projects on or before March 1 of the year following the year of the appropriation and each year thereafter in which the appropriation remains open.

The Road Improvement Districts Construction Fund is not budgeted.

The Enterprise and Internal Service Funds, with the exception of the Insurance Fund and the Building Development and Management Corporations Fund, are budgeted on the modified accrual basis rather than the accrual basis (the GAAP basis for proprietary funds). Appropriations are based on an estimate of expenditures expected to be incurred during the fiscal year. Estimated revenues are based on the amount estimated to be earned and available during the fiscal year. Several divisions within the Department of Transportation are appropriated as biennial budgets for the 2010-2011 biennium.

The Insurance Fund is budgeted on the modified accrual basis with one exception. Consistent with the intent of the County ordinance that delegates full claims settlement authority to the County Executive, the recognition of the portion of judgment and claims settlements that occurs and remains unpaid at the end of a fiscal year, and exceeds current year expenditure appropriations, is deferred to the following year when the claim is paid.

The Building Development and Management Corporations Fund and the Trust and Agency Funds are not budgeted.

Encumbrances

Encumbrances outstanding as of December 31, 2010, by fund type (in thousands):

General Fund	\$	3,274
Public Health Fund		318
Special Revenue Funds		9,107
Capital Projects Funds		48,150
Enterprise Funds		2,590
Internal Service Funds		4,900
Total All Funds	\$	<u>68,339</u>

Reconciliation of Budgetary Basis and GAAP Basis Statements and Schedules for Governmental Funds

In the General and budgeted Special Revenue and Debt Service Funds, the legally prescribed budgetary basis differs from the GAAP basis. For those statements and schedules in which budget comparisons are presented, the legally adopted budget is compared with actual data on the budgetary basis rather than the GAAP basis. All statements that do not have budget comparisons are prepared on the GAAP basis.

Budgeted Level of Expenditures

Appropriations are authorized by ordinance, generally at the fund level, with the exceptions of the General Fund and seven Special Revenue Funds (Children and Family Services, Community Development Block Grant, County Roads, Developmental Disabilities, Mental Illness and Drug Dependency, Miscellaneous Grants and Public Health), which are appropriated at the department/division level. The Capital Projects Funds are appropriated at the project level.

These are the legal levels of budgetary control. Unless otherwise provided by the appropriation ordinances, all unexpended and unencumbered annual appropriations lapse at year-end. The budgetary comparison schedules (budgetary basis) include variances at the function of expenditure level. These variances are presented for informational purposes only and, if negative, do not constitute a legal violation. Administrative control is guided by the establishment of more detailed line item budgets.

Expenditures including Other Financing Uses, Materially in Excess of Amounts Legally Authorized

Funds with Annual or Biennial Budgets

Except for the departments/funds listed below, all other funds and departments/divisions with annual or biennial budgets completed the year within their legally authorized expenditures, including other financing uses. In the General Fund, expenditures for Adult and Juvenile Detention and the appropriation unit used to pay State Auditor billings exceeded their legally authorized budgets. Expenditures in the Road Improvement Guaranty Fund also exceeded the legally authorized budget.

Funds with Multi-year Budgets

One hundred three capital projects in twenty Capital Projects and Enterprise Funds with multi-year budgets have a combined total of \$8.6 million of expenditures in excess of budget. These deficits are expected to be corrected by additional appropriations in 2011.

Material Fund Balance and Net Asset Deficits

Building Development and Management Corporations – The deficit of \$19.0 million is the result of assets being depreciated at a greater rate than the principal payments of the lease revenue bonds, especially in the earlier years of the bonds, and bond interest expenses exceeding rent collected by NJB Properties. Once the bond principal payments begin to increase and additional rent is assessed and collected by NJB Properties, the fund balance deficit will be reduced.

Building Repair and Replacement Fund – The deficit of \$268 thousand is the result of critical building and improvement projects funded with a short-term loan. The County plans to issue general obligation bonds, which will eliminate this deficit.

County Road Fund – The fund ended 2010 with a deficit of \$10.7 million as a result of a combination of lower than anticipated revenues including unrealized property sales (Covington and Summit pit sites), under collection of property taxes, lower timber tax receipts and delayed grant receipts. Under expenditure in 2010 was less than projected resulting from extra unanticipated storm response expenses and additional expenses incurred for non-billable costs by staff budgeted to distribute their labor to cost centers outside the fund. In 2011, the deficit will be addressed by constraining expenditures in the operating and capital improvement program budgets; matching one-time revenue shortfalls with one-time reductions; and matching ongoing revenue shortfalls with ongoing expenditure reductions.

Green River Flood Mitigation Fund – The deficit of \$15.7 million is the result of expenditures related to flood control mitigation projects financed with short-term financing through the issuance of bond anticipation notes. The County plans to issue general obligation bonds, which will eliminate this deficit.

Office of Information Resource Management Capital Fund – The deficit of \$16.9 million was the result of expenditures for a major project funded by a short-term loan. The County plans to issue general obligation bonds, which will eliminate this deficit.

Renton Maintenance Facilities Construction – The deficit of \$3.2 million was the result of costs to begin the design of a new regional maintenance

facility in Ravensdale. The deficit will be eliminated from proceeds received from the sale of property at a future date.

Safety and Workers' Compensation Fund – The deficit of \$1.2 million was the result of a change in 2004 of the method for estimating workers' compensation claim liabilities. In that year the County changed from using the case reserves liabilities to an actuarially developed estimate of liabilities. The change resulted in a large increase in the reported liabilities and related expenses in 2004. The funding plan developed to build the assets to equal the liabilities over a number of years has made significant progress, reducing the deficit each year since its inception.

Work Training Program/Youth Employment – The deficit of \$47 thousand is due to an error in the division's internal allocation of Information Technology application development costs during year end 2010 and a one-time unbudgeted common area charge related to the program's WorkSource Renton facilities lease. The cost allocation model has been corrected and will resolve this deficiency.

Unrestricted Net Asset Deficits

Solid Waste Enterprise Fund – The deficit of \$17.4 million in unrestricted net assets is the result of recognizing a long-term liability for landfill closure and post-closure care which is being funded through annual contributions from operations.

Water Quality Enterprise Fund – The deficit of \$79.2 million in unrestricted net assets is the result of short term borrowing by the Water Quality Enterprise from other County funds. The Enterprise plans to issue general obligation bonds, which will eliminate this deficit.

Note 4**Deposits, Investments and Receivables****Deposits**

The County maintains deposit relationships with several local commercial banks and thrift institutions in addition to its concentration bank. All deposits that are not insured by the Federal Deposit Insurance Corporation (FDIC) are fully collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC). The PDPC is a statutory authority established under chapter 39.58 RCW. It constitutes a multiple financial institution collateral pool that can make pro rata assessments to all public depositories within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance, in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 150.110.

Custodial credit risk – Deposits The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits may not be recovered. State statutes require that certificates of deposit be placed in qualified public depositories in the State of Washington and total deposits cannot exceed the net worth of the financial institution. The County establishes deposit limitations for all financial institutions with which deposits are placed, based on publications by IDC Financial Publishing, Incorporated. The County's diversification policy limits the maximum amount of investment in certificates of deposit to 20 percent of the total amount of the portfolio and 7.5 percent of a single issuer.

As of December 31 the County's total deposits, excluding the equity in the component units, were \$78.7 million in carrying amount and \$60.3 million in bank balance, of which \$11.6 million was exposed to custodial credit risk as uninsured and uncollateralized as shown in the following schedule (in thousands):

	Carrying Amount	Bank Balance	Uninsured and Uncollateralized
Demand deposits	\$ 67,072	\$ 48,768	\$ -
Money Market Accounts	11,574	11,574	11,574
Total deposits	<u>\$ 78,646</u>	<u>\$ 60,342</u>	<u>\$ 11,574</u>

The money market accounts are cash held with trustees for four Washington state nonprofit corporations reported in the internal service funds as Building Development and Management Corporations, a blended component unit of King County. The cash held in various financial institutions, including most notably the Bank of New York Trust Company (Trustee), is invested in United States Government Money Market accounts. All of the \$11.6 million held in money market accounts is exposed to custodial credit risk as uninsured and uncollateralized.

Investments

Investment Instruments State statutes authorize King County to invest in savings or time accounts in designated qualified public depositories and in certificates, notes, or bonds of the United States. The County is also authorized to invest in other

obligations of the United States, its agencies, or in any corporation wholly owned by the U.S. government. Other authorized investments include bankers' acceptances purchased on the secondary market, federal home loan bank notes and bonds, federal land bank bonds, and federal national mortgage association notes, debentures and guaranteed certificates of participation. In addition, the County is authorized to invest in the obligations of any other government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System. The County may also invest in commercial paper (within the policies established by the State Investment Board), debt instruments of banking institutions, local and state general obligations, and revenue bonds issued by Washington State governments that are rated at least "A" by a nationally recognized rating agency.

King County voluntarily invests in the Washington State Treasurer's Local Government Investment Pool (LGIP). The amount is carried at cost, which approximates fair value. The LGIP is a 2a7-like pool overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor's Office.

The County is authorized to enter into repurchase agreements. County investment policies require that securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement for investment terms of less than 30 days, and 105 percent for terms longer than 30 days. Repurchase agreements in excess of 60 days are not allowed. Currently, the County's tri-party custodial bank monitors compliance with these provisions.

Although the County is authorized to enter into reverse repurchase agreements, the County has chosen to not enter into this type of transaction during the year.

The County operates under the GASB's *Codification*, Section 2300.601, definition of derivatives and similar transactions. During the year, the County did not buy, sell, or hold any derivative or similar instrument except for certain U.S. agency collateralized mortgage obligation securities. Although these securities are sensitive to early prepayments by mortgagees, usually resulting from a decline in interest rates, County policies are in place to ensure that only the lowest risk securities of this type are acquired.

External Investment Pool For investment purposes, the County pools the cash balances of County funds and participating component units, and allows for participation by other legally separate entities such as special districts, for which the County is *ex officio* treasurer, and public authorities. The King County Investment Pool (the main Pool), administered by the King County Treasury Operations Section, is an

external investment pool. The external portion of the Pool (the portion that belongs to special districts and public authorities other than component units) is reported in an Investment Trust Fund. It is County policy to invest all County funds in the Pool. All non-County participation in the Pool is voluntary.

The King County Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. Oversight is provided by the King County Executive Finance Committee (EFC) pursuant to RCW 36.29.020. The EFC, which reviews pool performance monthly, consists of the Chair of the County Council, the County Executive, the Director of the Office of Performance, Strategy and Budget, and the Director of the Finance and Business Operations Division, or their designees. All investments are subject to written policies adopted by the EFC.

As of December 31, 2010, all four impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) holds one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. In the other three commercial paper investments the County accepted the cash out option. The fair value of the total impaired investments at December 31, 2010, was \$17.6 million and the principal balance was \$38.2 million.

The King County Investment Pool, excluding the equity in the component units, has a balance of \$4.0 billion. The change in the fair value of the total investments for the reporting entity as of December 31, 2010, after considering purchases, sales and maturities, resulted in a net markup from cost of \$13.4 million. The following schedule shows the types of investments, the average interest rate, and the effective duration limits of the various components of the King County Investment Pool as of December 31, 2010 (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Average Interest Rate</u>	<u>Effective Duration (Yrs)</u>
Repurchase Agreements	\$ 350,000	\$ 350,000	0.18%	0.010
U.S. Treasury Bills	959,381	960,000	0.18%	0.387
U.S. Agency Discount Notes	929,581	930,306	0.36%	0.422
Taxable Municipal Notes	15,303	15,000	5.17%	0.485
U.S. Treasury Notes	1,083,655	1,075,000	0.92%	1.198
U.S. Agency Notes	828,009	820,000	1.49%	1.392
U.S. Agency Zero Coupon Notes	19,211	19,312	2.20%	0.640
U.S. Agency Collateralized Mortgage Obligations	34,459	32,625	4.50%	3.091
State Treasurer's Investment Pool	493,235	493,235	0.26%	0.008
Totals	<u>\$ 4,712,834</u>	<u>\$ 4,695,478</u>	<u>0.68%</u>	<u>0.711</u>

All securities are reported at fair value. Fair value reports are prepared monthly and are distributed to all Pool participants. Fair value pricing is provided by the County's security safekeeping bank. If a security is not priced by the County's safekeeping bank, prices are obtained from Bloomberg L.P., a provider of fixed income analytics, market monitors, and security pricing. In 2010, the County also obtained quotes from primary investment dealers to help determine the fair values of impaired investments. The County has not provided or obtained any legally binding guarantees to support the value of the Investment Pool's shares.

The King County Investment Pool values participants' shares using an amortized cost basis. Monthly income is distributed to participants based on their relative participation during the period. Income is calculated based on: (1) realized investment gains and losses; (2) interest income based on stated rates (both paid and accrued); and (3) the amortization of discounts and premiums on a straight-line basis. Income is reduced by the contractually agreed upon investment fee. This method differs from the fair value method used to value investments in the financial statements because the amortized cost method is not designed to distribute to participants all unrealized gain and loss due to change in the fair values. The net change in the fair values of the investments are reported as an increase or decrease in cash and cash equivalents in the statement of net assets.

Custodial credit risk – Investments Custodial credit risk is the risk that, in the event of the failure of the

counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. County policy mandates that all security transactions, including repurchase agreements, are settled "delivery versus payment." This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the County's safekeeping bank or its tri-party bank.

Concentration of credit risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end the Pool had concentrations greater than 5 percent of the total investment pool portfolio in the following issuers: Federal Home Loan Mortgage Corporation–6 percent, Federal National Mortgage Association–21 percent, Federal Home Loan Bank–6 percent, Federal Farm Credit Bank–6 percent.

Interest rate risk – Investments Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by setting maturity and effective duration limits for the Pool. The Pool is managed as two subportfolios: the liquidity portfolio and the core portfolio. The liquidity portfolio's average maturity cannot exceed 120 days and is intended to meet the County's short-term liquidity requirements. The total balance of the liquidity portfolio must be at least 15 percent of the total Investment Pool. The core portfolio is managed similar to a short-term fixed-income fund. The average duration of the core

portfolio is currently restricted to a range of two and one-quarter years plus or minus one year. Securities in the core portfolio cannot have an average life greater than five years at purchase. Based on historical and projected cash flows, the Executive Finance Committee established the maximum amount that can be invested in the core portfolio at \$2.2 billion, and the County is in compliance with this policy. As of December 31, 2010, the combined effective duration of the liquidity and core portfolios was 0.711 years.

Credit risk of Debt Securities Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, the King County Investment Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments

in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposit issued by qualified public depositaries, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

The credit quality distribution below is categorized to display the greatest degree of credit risk as rated by Standard and Poor's, Moody's, or Fitch. For example, a security rated "AAA" by one rating agency and "AA" by another would be listed as "AA." This table shows the credit quality for all securities in the King County Investment Pool not backed by the full faith and credit of the United States (in thousands):

Credit Quality Distribution

Investment Type	AAA or A-1	AA	Not Rated	Total
Repurchase Agreements	\$ 350,000	\$ -	\$ -	\$ 350,000
U.S. Agency Discount Notes	929,581	-	-	929,581
Taxable Municipal Notes	-	15,303	-	15,303
U.S. Agency Notes	828,009	-	-	828,009
U.S. Agency Zero Coupon Notes	19,211	-	-	19,211
U.S. Agency Collateralized Mortgage Obligations	34,459	-	-	34,459
State Treasurer's Investment Pool	-	-	493,235	493,235
TOTAL	\$ 2,161,260	\$ 15,303	\$ 493,235	\$ 2,669,798

The King County Investment Pool's policies limit the maximum amount that can be invested in various securities. At year-end the Pool was in compliance. The Pool's actual composition consisted of Repurchase agreements, 7.4 percent, U.S. Treasury Bills, 20.4 percent, U.S. Treasury

Notes, 23.0 percent, Agency Securities, 37.7 percent, Agency Mortgage Backed Securities, 0.7 percent, the State Treasurer's Investment Pool, 10.5 percent, and Municipal Notes, 0.3 percent. The following table summarizes the Pool's diversification policy.

**OVERVIEW OF THE KING COUNTY INVESTMENT POOL'S POLICIES
TO LIMIT INTEREST RATE & CREDIT RISK**

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Security Type Limit</u>	<u>Single Issuer Limit</u>	<u>Minimum Credit Rating</u>
U.S. Treasury	5 Years	100%	None	N/A
U.S. Federal Agency	5 Years	75%	75%	N/A
U.S. Federal Agency MBS	5 Year WAL	25%	25%	N/A
Certificates of Deposit	5 Years	20%	7.50%	PDPC ⁽¹⁾
Municipal Securities ⁽²⁾	5 Years	20%	5%	A ⁽³⁾
Bank Securities	5 Years	20%	5%	A ⁽³⁾
Repurchase Agreements	60 Days ⁽⁴⁾	40%	10%	Collateral
Commercial Paper	180 Days	25%	5%	A1/P1 ⁽⁵⁾
Bankers' Acceptances	180 Days	25%	10%	Top 50 ⁽⁶⁾
State LGIP ⁽⁷⁾	N/A	None	None	N/A

N/A = Not applicable

(1) Institution must be a Washington State depository. Treasurers can deposit up to 100% of bank's net worth.

(2) Washington state issuers: General Obligation and Revenue bonds. Other states: only GO bonds.

(3) Must be rated A or better by two rating agencies.

(4) 102% collateralized, over 30 days 105%.

(5) Must be rated in top credit category by at least two rating agencies. Maturities > 100 days must have AA long-term rating.

(6) Bankers' acceptances can only be purchased from the 50 largest banks in the world by asset size.

(7) The State LGIP is a money market-like fund managed by the State Treasurer's Office.

King County Investment Pool (Main Pool) and Impaired Investment Pool's Condensed Statements

The King County Investment Pool's (the Main Pool) and the Impaired Investment Pool's Condensed Statements of Net Assets and Changes in Net Assets as of December 31, 2010 (in thousands):

Condensed Statement of Net Assets

	<u>Total</u>	<u>Main Pool</u>	<u>Impaired Pool</u>
Assets	\$ 4,731,732	\$ 4,714,180	\$ 17,552
Net assets held in trust for pool participants	<u>\$ 4,731,732</u>	<u>\$ 4,714,180</u>	<u>\$ 17,552</u>
Equity of internal pool participants	\$ 2,074,163	\$ 2,066,605	\$ 7,558
Equity of external pool participants	2,657,569	2,647,575	9,994
Total equity	<u>\$ 4,731,732</u>	<u>\$ 4,714,180</u>	<u>\$ 17,552</u>

Condensed Statement of Changes in Net Assets

Net assets - January 1, 2010	\$ 4,351,668	\$ 4,335,604	\$ 16,064
Net change in investments by pool participants	380,064	378,576	1,488
Net assets - December 31, 2010	<u>\$ 4,731,732</u>	<u>\$ 4,714,180</u>	<u>\$ 17,552</u>

Individual Investment Accounts

King County also purchases individual investments for other legally separate entities, such as special districts and public authorities, that are not part of the financial reporting entity. Net assets in these individual investment accounts are reported in a separate Investment Trust Fund in the Fiduciary Funds section.

Component Units

Harborview Medical Center (HMC)

Harborview Medical Center (HMC) participates in the County's investment pool and follows the applicable criteria as described above for the King County Investment Pool deposits and investments.

Custodial credit risk – Deposits The custodial credit risk for deposits is the risk that in the event of a bank failure, the HMC's deposits may not be recovered. HMC maintains demand deposit accounts in various banks (insured up to \$250 thousand per bank) totaling \$4.2 million and the carrying amount of \$4.2 million. In addition, HMC has equity in the Investment Pool (reported as cash equivalents on June 30, 2010). HMC's equity in the pool applies the same criteria as the King County Investment Pool to classify the amounts of deposits and investments exposed to custodial credit risk as uninsured and uncollateralized. As of June 30, 2010, HMC's equity in the pool was \$209.4 million and the carrying amount was \$198.1 million, as shown in the following table (in thousands):

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash in other banks	\$ 4,229	\$ 4,230
Equity in Investment Pool		
Investments	193,888	205,153
Total Equity in Investment Pool	193,888	205,153
Total	<u>\$ 198,117</u>	<u>\$ 209,383</u>

Washington State Major League Baseball Stadium Public Facilities District (PFD)

The Washington State Major League Baseball Stadium Public Facilities District (PFD) participates in the County's investment pool and follows the applicable criteria as described above for the King County Investment Pool deposits and investments.

Custodial credit risk – Deposits The custodial credit risk for deposits is the risk that in the event of a bank failure, the PFD's deposits may not be recovered. The PFD maintains demand deposit

accounts in various banks (insured up to \$250 thousand per bank) totaling \$16 thousand and the carrying amount of \$16 thousand. In addition, the PFD has equity in the King County Investment Pool. The PFD's equity in the pool applies the same criteria as the Investment Pool to classify the amounts of deposits and investments exposed to custodial credit risk as uninsured and uncollateralized. As of December 31, 2010, the PFD's equity in the pool was \$3.4 million and the carrying amount was \$3.4 million as shown in the following table (in thousands):

	Carrying Amount	Bank Balance
Cash in other banks	\$ 16	\$ 16
Equity in Investment Pool		
Investments	3,435	3,435
Total Equity in Investment Pool	3,435	3,435
Total	\$ 3,451	\$ 3,451

Cultural Development Authority of King County (CDA)

Deposits The CDA maintains a deposit relationship with a local commercial bank. All deposits with this qualified public depository that are not insured by the Federal Deposit Insurance Corporation (FDIC) are fully collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC); accordingly, the CDA has no custodial credit risk for its deposits. Carrying amounts of deposits for book purposes are materially the same as bank balances.

The CDA is also authorized to invest in the Washington State Local Government Investment Pool (LGIP), which is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission. The LGIP funds are limited to high quality obligations with limited maximum and average maturities, with the effect of minimizing both market and credit risk. Funds in the amount of \$5.2 million were held in the LGIP at December 31, 2010; the interest rate for these funds was 0.26% at December 31, 2010.

Investments The CDA has an Investment Policy to guide the management of its assets and ensure that

investment activity is within regulations established by State and County Code. The primary objective is the preservation of principal.

State statutes authorize the CDA to invest in certificates, notes, or bonds of the United States, other obligations of the United States or its agencies, or any corporation wholly owned by the government of the United States. Statutes also authorize the CDA to invest in bankers' acceptances purchased on the secondary market, federal home loan bank notes and bonds, federal land bank bonds, federal national mortgage association notes and debentures and guaranteed certificates of participation.

All investment securities are recorded at fair market value based on reports provided by the CDA's investment trustee.

The schedule below shows the types of investments, the average interest rate, the effective duration limits and concentration of all CDA investments as of December 31, 2010 (in thousands):

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)	Concentration
U.S. Treasury Notes	\$ 21,219	\$ 20,217	3.13%	4.353	49.41%
Federal Home Loan Mortgage Corp Debentures	6,608	6,430	4.09%	2.868	15.39%
Federal National Mortgage Association Notes	9,587	9,322	4.28%	3.027	22.32%
Federal Home Loan Bank Bonds	3,187	3,182	4.29%	8.002	7.42%
Federal Farm Credit Bank Bonds	1,368	1,303	3.91%	4.963	3.19%
Other	976	976	0.19%	0.003	2.27%
Totals	\$ 42,945	\$ 41,430	3.58%	4.020	100.00%

Interest rate risk – Investments Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the CDA manages its exposure to interest rate risk by setting maturity and effective duration limits for its portfolio. As of December 31, 2010, the combined weighted average effective duration of the CDA's portfolio was 4.02 years.

Credit risk Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2010, all issuers of investments in the CDA portfolio had a Standard & Poor's rating of "AAA."

Concentration of credit risk – Investments Concentration of credit risk is the risk of loss attributed to the magnitude of the CDA's investment in a single issuer. As of December 31, 2010, the CDA had concentrations greater than 5

percent of its total portfolio, excluding U.S. Treasury obligations, in the following issuers: Federal National Mortgage Association-22 percent, Federal Home Loan Mortgage Corporation-15 percent, and Federal Home Loan Bank-7 percent.

Receivables

Estimated Uncollectible Accounts Receivable

Receivables for governmental funds are reported net of estimated uncollectible amounts in the basic financial statement, Balance Sheet–Governmental Funds. The schedule below shows receivables at gross with the related estimated uncollectible accounts (in thousands):

	<u>General Fund</u>	<u>Public Health Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Accounts receivable				
Accounts receivable	\$ 82,582	\$ 799	\$ 31,555	\$ 114,936
Estimated uncollectible accounts receivable	(73,095)	(30)	(7,524)	(80,649)
Net accounts receivable	<u>\$ 9,487</u>	<u>\$ 769</u>	<u>\$ 24,031</u>	<u>\$ 34,287</u>
Other receivables				
Abatements receivable	\$ -	\$ -	\$ 666	\$ 666
Estimated uncollectible abatements receivable	-	-	(133)	(133)
Assessments receivable - current	-	-	55	55
Net other receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 588</u>	<u>\$ 588</u>
Due from other governments	\$ 41,898	\$ 29,197	\$ 57,457	\$ 128,552
Estimated uncollectible due from other governments	(79)	(5)	-	(84)
Net due from other governments	<u>\$ 41,819</u>	<u>\$ 29,192</u>	<u>\$ 57,457</u>	<u>\$ 128,468</u>

Note 5

Property Taxation

Taxing Powers

The County is authorized to levy both “regular” property taxes and “excess” property taxes. Regular property taxes are subject to rate limitations and amount limitations and are imposed for general municipal purposes, including the payment of debt service on limited tax general obligation bonds. The County also may impose “excess” property taxes that are not subject to limitation when authorized by a 60 percent majority popular vote, as provided in Article VII, Section 2, of the State Constitution and RCW 84.52.052. To be valid, such popular vote must have a minimum voter turnout of 40 percent of the number who voted at the last County general election, except that one-year excess tax levies also are valid if the numbers of voters approving the excess levy is at least 60 percent of a number equal to 40 percent of the number who voted at the last County general election. Excess levies may be imposed without a popular vote when necessary to prevent the impairment of the obligation of contracts.

Regular property tax levies are subject to rate limitations and amount limitations, as described below, and to the uniformity requirement of Article VII, Section 1, of the State Constitution, which specifies that a taxing district must levy the same rate on similarly classified property throughout the district. Aggregate property taxes vary within the County because of its different overlapping taxing districts.

Maximum Rate Limitations. The County may levy regular property taxes for general municipal purposes and for road district purposes. Each purpose is subject to a rate limitation. The general municipal purposes levy is limited to \$1.80 per thousand of assessed value; the County levied \$1.16171 per thousand in 2010. The road district purposes levy, which is levied in unincorporated areas of the county for road construction and maintenance and other County services provided in the unincorporated areas, is limited to \$2.25 per thousand; the County levied \$1.93572 per thousand in 2010. Both the general purposes levy and the road district purposes levy are below the maximum allowable rate because of an additional limitation on the increase from one year to the next in the amount of taxes levied.

The County is authorized to increase its general purposes levy to a maximum of \$2.475 per thou-

sand of assessed value if the total combined levies for both general and road purposes do not exceed \$4.05 per thousand and if no other taxing district has its levy reduced as a result of the increased County levy (RCW 84.52.043).

The \$1.80 per thousand limitation on the general purposes levy is exclusive of the following regular property taxes: (1) a voted levy for emergency medical services, limited to \$0.50 per thousand (authorized by RCW 84.52.069); (2) a voted levy to finance affordable housing for very low income households, limited to \$0.50 per thousand (authorized by RCW 84.52.105), however, the County has not sought approval from voters for this levy; (3) a non-voted levy for conservation futures, limited to \$0.0625 per thousand (authorized by RCW 84.34.230); and (4) a non-voted levy for transit-related purposes, limited to \$0.075 per \$1,000 (authorized by RCW 84.52.140). The County’s levy rate for conservation futures in 2010 is \$0.04918 per \$1,000 of assessed value.

In November 2007 voters approved a six-year Emergency Medical Services property tax at a maximum rate of \$0.30 per thousand beginning in the 2008 tax year (the 2010 rate was \$0.30 per \$1,000 of assessed value). On November 8, 2005, voters approved a \$0.05 Veterans and Human Services temporary lid lift for six years. The County levied \$0.04468 per thousand for Veterans and Human Services in 2010. In 2006, voters in the County approved a six-year temporary lid lift to finance an automated fingerprint identification system. This six-year levy began in 2008; the 2010 levy rate is \$0.04571 per thousand. A Regional and Rural Parks lid lift plus a companion lid lift for the Woodland Park Zoo/Open Space and Trails were approved by voters in 2007 for a six-year period beginning in 2008. The 2010 levy rate is \$0.05451 per \$1,000 of assessed value.

One Percent Aggregate Regular Property Tax Levy Limitation. Aggregate regular property tax levies by the State and all taxing districts except port districts and public utility districts are subject to a rate limitation of one percent of the true and fair value of property (or \$10.00 per thousand) by Article VII, Section 2, of the State Constitution and by RCW 84.52.050.

\$5.90/\$1,000 Aggregate Regular Property Tax Levy Limitation. Within the one percent limitation described above, aggregate regular property tax levies by all taxing districts except the State, port

districts and public utility districts are subject to a rate limitation of \$5.90 per thousand of assessed value (or 0.59 percent) by RCW 84.52.043(2). This limitation is exclusive of levies for emergency medical services, affordable housing for very low income households, and acquiring conservation futures.

If aggregate regular property tax levies exceed the one percent or \$5.90 per thousand limitations, levies requested by “junior” taxing districts within the area affected are reduced or eliminated according to a detailed prioritized list (RCW 84.52.010) to bring the aggregate levy into compliance. Junior taxing districts are defined by RCW 84.52.043 as all taxing districts other than the State, counties, cities, towns, road districts, port districts, and public utility districts.

Regular Property Tax Increase Limitation. The regular property tax increase limitation (chapter 84.55 RCW) limits the total dollar amounts of regular property taxes levied by an individual taxing district to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction at the previous year’s rate. The limit factor is defined as the lesser of 101 percent or 100 percent plus inflation, but if the inflation rate is less than one percent, the limit factor can be increased to 101 percent, if approved by a majority plus one vote of the governing body of the taxing district, upon a finding of substantial need. In addition, the limit factor may be increased, regardless of inflation, if such increase is authorized by the governing body of the taxing district upon a finding of substantial need and is also approved by the voters at a general or special election within the taxing district. Such election must be held less than 12 months before the date on which the proposed levy will be made, and any tax increase cannot be greater than described under “Maximum Rate Limitations.” The approval of a majority of the voters would be required for the limit factor to be increased. The new limit factor will be effective for taxes collected in the following year only.

RCW 84.55.092 allows the property tax levy to be set at the amount that would be allowed if the tax levy for taxes due in each year since 1986 had been set at the full amount allowed under chapter 84.55 RCW. This is sometimes referred to as “banked” levy capacity.

With a majority vote of its electors, a taxing district may levy for the following year, within the statutory rate limitations described above, more than what otherwise would be allowed by the tax increase limitations, as allowed by RCW 84.55.050. This is known as a “levy lid lift,” which has the effect of increasing the jurisdiction’s levy “base” when calculating permitted levy increases in subsequent years. The new base can apply for a limited or unlimited period, except that if the levy lid lift was approved for the purpose of paying debt service on bonds, the new base can apply for no more than nine years. After the expiration of any limited purpose or limited duration specified in the levy lid lift, the levy is calculated as if the taxing district had levied only up to the limit factor in the interim period.

Since the regular property tax increase limitation applies to the total dollar amount levied, rather than to levy rates, increases in the assessed value of all property in the taxing district (excluding new construction) which exceed the growth in taxes allowed by the limit factor result in decreased regular tax levy rates, unless voters authorize a higher levy.

Component Units with Taxing Authority. In 2007, the County Council created a countywide flood control zone district and a countywide ferry district with rates of \$0.10514 and \$0.00348, respectively for the 2010 tax year. The boundaries of each district are coterminous with the boundaries of the County and the members of the County Council serve (at least initially) as the legislative body for each district, but under State law each district is a separate taxing district with independent taxing authority.

Pursuant to Ordinance 16742, adopted in January 2010, the County Council created a Transportation Benefit District (TBD) with boundaries comprised of the unincorporated portions of the County. Pursuant to State law, the members of the County Council serve as the governing body of the TBD, which is a separate taxing district with independent taxing authority. The TBD is not authorized to levy regular property taxes but may levy excess property taxes for a one-year period for any purpose or over multiple years to provide for the retirement of voter-approved general obligation bonds, issued for capital purposes, in either case only when authorized by the voters. The TBD has not sought voter approval for any such excess levies.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment due.

Tax Collection Procedures

Property taxes are levied in specific amounts by the County Council and the rate for all taxes levied for all taxing districts in the County is determined, calculated and fixed by the County Assessor (the "Assessor") based upon the assessed valuation of the property within the various taxing districts. The Assessor extends the tax levied within each taxing district upon a tax roll that contains the total amounts of taxes levied and to be collected and assigns a tax account number to each tax lot. The tax roll is delivered to the Treasury Operations Section Manager, who is responsible for the billing and collection of taxes due for each account. All taxes are due and payable on April 30 of each tax year, but if the amount due from a taxpayer exceeds fifty dollars, one-half may be paid then and the balance no later than October 31 of that year (except that the half to be paid on April 30 may be paid at any time prior to October 31 if accompanied by penalties and interest accrued until the date of payment).

The methods for giving notice of payment of taxes due, collecting such taxes, accounting for the taxes collected, dividing the collected taxes among the various taxing districts, and giving notice of delinquency are covered by detailed State statutes. Personal property taxes levied by the County Council are secured by a lien on the personal property assessed. A federal tax lien filed before the County Council levies the personal property taxes is senior to the County's personal property tax lien. In addition, a federal civil judgment lien is senior to a lien on real property taxes once the federal lien has been recorded. In all other respects, and subject to the possible homestead exemption described

below, the lien of property taxes is senior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, the County may commence foreclosure on a tax lien on real property after three years have passed since the first delinquency. The State's courts have not decided if the homestead law (chapter 6.13 RCW) gives the occupying homeowner a right to retain the first \$125 thousand in proceeds of the forced sale of a family residency or other homestead property for delinquent general property taxes. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

Assessed Valuation Determination

The Assessor determines the value of all real and personal property throughout the County that is subject to *ad valorem* taxation, with the exception of certain public service properties for which values are determined by the State Department of Revenue. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the State Department of Revenue.

For tax purposes, the assessed value of property is 100 percent of its true and fair value. Since 1996, all property in the County has been subject to on-site appraisal and revaluation every six years, and is revalued each year based on annual market adjustments. Personal property is valued each year based on affidavits filed by the property owner. The property is listed by the Assessor on a roll at its current assessed value and the roll is filed in the Assessor's office. The Assessor's determinations are subject to revision by the County Board of Appeals and Equalization and, if appealed, subject to further revision by the State Board of Tax Appeals. At the end of the assessment year, in order to levy taxes payable the following year, the County Council receives the Assessor's final certificate of assessed value of property within the County.

Accounting for Property Taxes Receivable

In the governmental funds, property taxes levied for the current year are recorded on the balance sheet

as taxes receivable and deferred revenue at the beginning of the year. Property taxes are recognized as revenue when collected in cash at which time the accounts Taxes receivable and Deferred revenues on the balance sheet are reduced by the amount of the collection. The amount of taxes receivable at year-end that would be collected soon enough to be used to pay liabilities of the current period is not material. At year-end, all uncollected property taxes are reported on the balance sheet as Taxes receivable-delinquent and Deferred revenues. For the government-wide financial statements, the deferred revenue related to the current period, net of the allowance for uncollectible property taxes, is reclassified to revenue.

Allocation of Tax Levies

The following table compares the allocation of the 2009 and 2010 countywide, Emergency Medical Services (EMS), and unincorporated County tax levies by fund, showing for each year the original tax levy and levy rate. The original tax levy reflects the levy before any supplemental levies, tax cancellations, or other adjustments. The 2010 countywide assessed valuation was \$342.0 billion, a decrease of \$44.9 billion from 2009; the assessed valuation for the unincorporated area levy was \$44.0 billion, a decrease of \$8.8 billion from 2009.

ALLOCATION OF 2010 AND 2009 TAX LEVIES

	2010 Original Taxes Levied (in thousands)	2010 Levy Rate (per thousand)	2009 Original Taxes Levied (in thousands)	2009 Levy Rate (per thousand)
Countywide Levy Assessed Valuation:				
\$341,971,517 thousand ^(a)				
Items Within Operating Levy ^(b)				
General Fund	\$ 274,311	\$ 0.80597	\$ 268,565	\$ 0.69697
Veterans' Relief	2,539	0.00746	2,478	0.00643
Human Services	5,640	0.01657	5,510	0.01430
Intercounty River Improvement	50	0.00015	50	0.00013
Limited G.O. Bonds Debt Service	22,850	0.06714	21,814	0.05661
Automated Fingerprint Identification System ^(c)	15,557	0.04571	17,236	0.04473
Parks Levy ^(d)	37,103	0.10902	36,598	0.09498
Veterans and Human Services ^(e)	15,207	0.04468	14,859	0.03856
Public Transportation ^(f)	22,124	0.06501	-	-
Total Operating Levy	<u>395,381</u>	<u>1.16171</u>	<u>367,110</u>	<u>0.95271</u>
Conservation Futures Levy^(g)				
Conservation Futures Levy	9,734	0.02860	9,302	0.02414
Farmland and Park Debt Service	7,004	0.02058	7,059	0.01832
Total Conservation Futures Levy	<u>16,738</u>	<u>0.04918</u>	<u>16,361</u>	<u>0.04246</u>
Unlimited Tax GO Bonds				
(Voter-approved Excess Levy)	25,044	0.07410	39,286	0.10255
Total Countywide Levy	<u>437,163</u>	<u>1.28499</u>	<u>422,757</u>	<u>1.09772</u>
EMS Levy Assessed Valuation:				
\$218,205,271 thousand ^{(a) (h)}				
	<u>65,162</u>	<u>0.30000</u>	<u>68,010</u>	<u>0.27404</u>
Unincorporated County Levy				
Assessed Valuation:				
\$44,017,625 thousand ^{(a) (i)}				
County Road Fund	84,684	\$ 1.93572	83,476	\$ 1.58880
Total County Tax Levies ^(j)	<u>\$ 587,009</u>		<u>\$ 574,243</u>	

(a) Assessed valuation for taxes payable in 2010.

(b) The operating levy tax rate is statutorily limited to \$1.80 per thousand of assessed valuation.

(c) The Automated Fingerprint Identification System (AFIS) levy is a regular property tax assessed for six years beginning in 2007 at a levy rate of not more than \$0.05680 per thousand of assessed valuation (RCW 84.55.050).

(d) The Parks Levy was renewed as a two-part regular property tax (parks and open space/trails/zoo) to be assessed for six years beginning in 2008 at a levy rate of not more than \$0.05 per \$1,000 of assessed value for each part, as authorized by RCW 84.55.050 and approved by a majority of the voters in the County.

(e) The Veterans and Human Services levy is a regular property tax to be assessed for six years beginning in 2006 at a levy rate of not more than \$0.05 per thousand of assessed valuation as authorized by RCW 84.55.050 and a proposition approved by a majority of voters in the County.

(f) The non-voted levy for transit-related purposes is limited to \$0.075 per \$1,000 of assessed value.

(g) The Conservation Futures levy tax rate is statutorily limited to \$0.0625 per thousand of assessed value.

(h) The Emergency Medical Services (EMS) levy shown excludes that portion of the levy within the City of Seattle, which is paid to the city. The levy was approved by the voters in the County in 2007 for a six-year period with collection beginning in 2008.

(i) The tax rate is statutorily limited to a maximum of \$2.25 per thousand of assessed valuation.

(j) Excludes tax levy of the blended component units a) the Flood Control Zone District (in 2010 and 2009, the original taxes levied were \$35,783 and \$35,152 thousand, respectively) and b) the Ferry District (in 2010 and 2009 the original taxes levied were \$1,186 thousand and \$19,335 thousand).

Note 6**Capital Assets****Primary Government**

A summary of changes in capital assets for the King County Primary Government (in thousands):

	Balance 1/1/2010	Increases	Decreases	Balance 12/31/2010
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 383,914	\$ 55,419	\$ (2,556)	\$ 436,777
Right of way and easements	414,919	38,353	(30,236)	423,036
Infrastructure	943,117	61,923	(79,583)	925,457
Art collections	8,497	311	-	8,808
Work in progress	106,809	35,484	(63,452)	78,841
Total capital assets not being depreciated	<u>1,857,256</u>	<u>191,490</u>	<u>(175,827)</u>	<u>1,872,919</u>
Capital assets being depreciated				
Buildings	990,902	30,065	-	1,020,967
Improvements other than buildings	33,915	25,263	-	59,178
Infrastructure	-	5,294	-	5,294
Furniture, machinery & equipment	161,273	20,044	(15,919)	165,398
Software	32,995	6,577	-	39,572
Total capital assets being depreciated	<u>1,219,085</u>	<u>87,243</u>	<u>(15,919)</u>	<u>1,290,409</u>
Less accumulated depreciation for:				
Buildings	(259,328)	(30,689)	-	(290,017)
Improvements other than buildings	(6,769)	(1,548)	-	(8,317)
Furniture, machinery & equipment	(99,644)	(16,754)	6,885	(109,513)
Software	(25,198)	(472)	-	(25,670)
Total capital assets being depreciated - net	<u>828,146</u>	<u>37,780</u>	<u>(9,034)</u>	<u>856,892</u>
Governmental activities capital assets - net	<u>\$ 2,685,402</u>	<u>\$ 229,270</u>	<u>\$ (184,861)</u>	<u>\$ 2,729,811</u>
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 320,954	\$ 3,996	\$ (1,650)	\$ 323,300
Right of way and easements	37,399	60	-	37,459
Work in progress	1,766,480	571,526	(229,064)	2,108,942
Total capital assets not being depreciated	<u>2,124,833</u>	<u>575,582</u>	<u>(230,714)</u>	<u>2,469,701</u>
Capital assets being depreciated				
Buildings	1,620,229	42,977	(3,368)	1,659,838
Improvements other than buildings	978,345	46,028	(5,557)	1,018,816
Infrastructure	1,023,221	41,676	-	1,064,897
Furniture, machinery & equipment	1,518,375	91,287	(51,517)	1,558,145
Software	68,798	9,241	(502)	77,537
Total capital assets being depreciated	<u>5,208,968</u>	<u>231,209</u>	<u>(60,944)</u>	<u>5,379,233</u>
Less accumulated depreciation for:				
Buildings	(608,052)	(46,774)	3,491	(651,335)
Improvements other than buildings	(480,581)	(41,866)	65	(522,382)
Infrastructure	(314,227)	(22,397)	-	(336,624)
Furniture, machinery & equipment	(1,021,583)	(98,399)	46,944	(1,073,038)
Software	(39,772)	(7,866)	488	(47,150)
Total capital assets being depreciated - net	<u>2,744,753</u>	<u>13,907</u>	<u>(9,956)</u>	<u>2,748,704</u>
Business-type activities capital assets - net	<u>\$ 4,869,586</u>	<u>\$ 589,489</u>	<u>\$ (240,670)</u>	<u>\$ 5,218,405</u>

Beginning balances have been restated; see Note 17 - "Restrictions, Reserves, Designations and Changes in Equity." Governmental activities include capital assets of governmental internal service funds

except for the Wastewater Equipment Rental Fund, which is reported under business-type activities because it provides services exclusively to the Water Quality Enterprise.

Depreciation Expense

Depreciation and amortization expense charged to functions of the Primary Government (in thousands):

Governmental Activities	
General government services	\$ 12,023
Law, safety and justice	14,964
Physical environment	84
Transportation	358
Economic environment	141
Mental and physical health	1,638
Culture and recreation	3,004
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	17,252
Total depreciation amortization expense - governmental activities	<u>\$ 49,464</u>
Business-type Activities	
Water Quality	\$ 92,627
Public Transportation	101,760
Solid Waste	15,260
King County International Airport	4,178
Radio Communications	1,093
Institutional Network	1,417
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	683
Total depreciation and amortization expense - business-type activities	<u>\$ 217,018</u>

Infrastructure

Infrastructure capital assets are long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Included in King County's non-depreciable infrastructure are the roads and bridges network maintained by the Roads Division of the Department of Transportation. The roads and bridges network infrastructure is reported using the modified approach. Under the modified approach depreciation is not recorded; instead, costs incurred to extend an asset's useful life are expensed as preservation costs.

Roads and Bridges Infrastructure Valuation

The roads and bridges infrastructure network acquired or constructed prior to 2002 is valued at estimated historical cost. Base year estimates of 2001 replacement costs for all existing roads and 1988 replacement costs for all bridges were obtained using standard costing methods with the resultant values being deflated to the acquisition year (or estimated acquisition year, where the actual year was unknown), using the Engineering News Record Construction Cost Index. Retroactive reporting of traffic control elements is based on replacement cost.

Rights-of-Way and Easements

Rights-of-Way

Historical costs for infrastructure-related rights-of-way were obtained by estimating replacement costs at 2001 using land assessed valuation data and then deflating the resultant values to the acquisition year (or estimated acquisition year, where the actual year is unknown), using assessed land value indices from the King County Assessor's Office.

Conservation Easements

A conservation easement is a legal agreement between a landowner and the County that permanently limits land uses in order to protect conservation values.

Farmland Development Rights

The Farmland Preservation Program was established in 1979 to preserve, protect, and enhance agricultural lands and open spaces. Under this program the County has acquired farmland development rights for approximately 12,800 acres. Acquisition of these development rights ensures that land will not be developed in a nonagricultural use.

Governmental Buildings in Internal Service Funds

Certain capital assets classified under governmental activities are reported under a building development and management internal service fund which consists of the aggregation of four separate nonprofit property management corporations that are recognized as blended component units of the County in accordance with GASB Statement 14. These buildings are the King Street Center building, the Patricia Bracelin Steel Memorial building, the Chinook building and Goat

Hill parking garage; and the Ninth & Jefferson Building.

Construction Commitments

Project commitments are defined as authorized and planned expenditures for the capital budget period.

Proprietary Funds

Public Transportation Enterprise – \$239 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise – \$1 billion is committed to constructing a new major wastewater treatment plant and ensuring the continued operation, reliability, and compliance with regulatory standards of existing wastewater treatment facilities.

Other Enterprises – \$160 million is committed to improving the County's solid waste regional landfill and transfer stations, \$50 million is committed to runway rehabilitation and facilities improvements at the King County International Airport, and \$2 million is committed to maintaining the radio communications systems within the county.

Capital Projects Funds

\$457 million is committed to various capital projects, including: (1) strategic property acquisitions oriented towards conservation of natural resources, protection of habitat, and control of urban sprawl; (2) development and improvement of trails, playgrounds and ballfields, and other cultural facilities; (3) affordable housing; (4) technology initiatives to improve business efficiency, emergency preparedness, and network security; (5) flood control to protect the ecosystem and public property; (6) preservation and widening of roads and bridges; and (7) improvement of building facilities.

Discretely Presented Component Units**Harborview Medical Center (HMC)**

Capital assets activity for HMC during the fiscal year ended June 30, 2010 (in thousands):

	Balance 07/01/09	Increases	Decreases	Balance 06/30/10
Capital assets not being depreciated:				
Land	\$ 1,586	\$ -	\$ -	\$ 1,586
Work in progress	14,693	13,288	(12,295)	15,686
Total capital assets not being depreciated	16,279	13,288	(12,295)	17,272
Capital assets being depreciated:				
Buildings	387,428	2,160	-	389,588
Improvements other than buildings	12,946	1,012	-	13,958
Equipment	331,447	26,143	(7,310)	350,280
Total capital assets being depreciated	731,821	29,315	(7,310)	753,826
Less accumulated depreciation for:				
Buildings	(107,323)	(13,392)	-	(120,715)
Improvements other than buildings	(1,382)	(856)	-	(2,238)
Equipment	(215,847)	(25,748)	6,645	(234,950)
Total accumulated depreciation	(324,552)	(39,996)	6,645	(357,903)
HMC capital assets, net	\$ 423,548	\$ 2,607	\$ (12,960)	\$ 413,195

HMC owns other properties (net book value of \$2.7 million) which are held for future use and are reported under "Other assets" in the component unit's statement of net assets.

Washington State Major League Baseball Stadium Public Facilities District (PFD)

Capital assets activity for the PFD for the fiscal year ended December 31, 2010 (in thousands):

	Balance 01/01/10	Increases	Decreases	Balance 12/31/10
Capital assets not being depreciated:				
Land	\$ 38,424	\$ -	\$ -	\$ 38,424
Capital assets being depreciated:				
Baseball stadium	489,886	225	(860)	489,251
Improvements other than buildings	26,630	239	-	26,869
Equipment	65	-	-	65
Total capital assets being depreciated	516,580	464	(860)	516,185
Less accumulated depreciation for:				
Baseball stadium	(130,694)	(12,187)	-	(142,881)
Improvements other than buildings	(1,264)	(716)	-	(1,980)
Equipment	(65)	-	-	(65)
Total accumulated depreciation	(132,023)	(12,903)	-	(144,926)
PFD capital assets, net	\$ 422,982	\$ (12,439)	\$ (860)	\$ 409,683

Note 7**Restricted Assets**

Within the Statement of Net Assets are amounts that are restricted to their use.

The restricted assets for these funds (in thousands):

Proprietary Funds

<u>Public Transportation</u> - restricted for future construction projects, debt service and obligations.	\$ 46,667
<u>Water Quality</u> - restricted for future construction projects, debt service, and reserves and obligations.	377,332
<u>King County International Airport</u> - restricted for construction projects and obligations.	668
<u>Solid Waste</u> - restricted for landfill closure and post-closure care costs.	38,797
<u>Building Development & Management Corporations</u> - restricted for construction projects and debt service.	11,988
	<u>475,452</u>
Total Proprietary Funds restricted assets	<u>\$ 475,452</u>

Component Unit - Harborview Medical Center (HMC)

<u>HMC Construction Fund</u> - restricted for construction projects, seismic, public safety and other improvements, and furnishings of HMC buildings.	\$ 15,005
<u>HMC Special Purpose Fund</u> — restricted donations, gifts, and bequests from various sources for specific uses.	9,947
<u>HMC Operating Fund</u> - restricted resources that are board-designated for specific purposes, including planned capital and service components, self-insurance, commuter services, net fixed assets held for future use, research and training.	39,558
<u>HMC Plant Fund</u> - restricted resources that are board-designated for building improvements, furnishings, and repair and replacement.	21,615
	<u>86,125</u>
Total HMC restricted assets	<u>\$ 86,125</u>

Component Unit - Cultural Development Authority of King County

<u>Public Arts Projects Fund</u> - restricted for the one percent for public art programs operated for the benefit of King County.	\$ 5,997
<u>Cultural Grant Awards Fund</u> - restricted for arts and heritage cultural programs.	18,389
<u>Cultural Endowment Fund</u> - a long-term endowment for the benefit of the arts and heritage cultural programs.	26,378
	<u>50,764</u>
Total CDA restricted assets	<u>\$ 50,764</u>

Note 8**Pension Plans**

Substantially all full-time and qualifying part-time County employees participate in either the Public Employees' Retirement System (PERS), the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF), the Public Safety Employees' Retirement System (PSERS), or the Seattle City Employees' Retirement System (SCERS). PERS, LEOFF, and PSERS are statewide local government retirement systems administered by the State of Washington's Department of Retirement Systems under cost-sharing, multiple-employer defined benefit and defined contribution retirement plans.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Historical trend and other information regarding SCERS is presented in the Seattle City Employees' Retirement System annual financial report. A copy of this report may be obtained at: Seattle City Employees' Retirement System, 720 Third Avenue, Suite 1000, Seattle, WA 98104.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3**Plan Descriptions**

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS participants who joined

the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3. PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) This annual benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased 3 percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. The benefit is reduced to offset the cost of this annual adjustment.

PERS Plan 2 members are vested after the completion of five years of service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of 2 percent of the AFC per year

of service. The AFC is based on the greatest compensation during any eligible consecutive 60-month period.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age for each year before age 65. PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM). Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75 percent of AFC, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service.

Members who did not choose to participate in JBM would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required to participate in the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,189 participating employers in PERS.
Membership in PERS consisted of the following as

of the latest actuarial valuation date for the plans of
June 30, 2009:

Retirees and beneficiaries receiving benefits	74,857
Terminated plan members entitled to, but not yet receiving benefits	28,074
Active plan members vested	105,339
Active plan members nonvested	<u>53,896</u>
Total	<u><u>262,166</u></u>

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6.0 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The

Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5.0 percent to 15.0 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, for members not participating in the JBM were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer	5.31%	5.31%	5.31%
Employee	6.00%	3.90%	Variable

The employer rates include the employer administrative expense fee currently set at 0.16%.

PERS Plan 3 is the defined benefit portion only.

Variable rate: 5.0% minimum/15.0% maximum based on rate selected by the PERS 3 member.

Members participating in the JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer - Local government	5.31%	5.31%	5.31%
Employee - Local government	12.26%	9.75%	7.50%

The employer rates include the employer administrative expense fee currently set at 0.16%.
 PERS Plan 3 is the defined benefit portion only.
 PERS Plan 3: 7.5% is the minimum rate.

Both the County and the employees made the required contributions. The County's required contributions for the years ended December 31 (in thousands):

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2008	\$ 3,501	\$ 47,203	\$ 6,923
2009	\$ 3,097	\$ 46,437	\$ 7,159
2010	\$ 2,197	\$ 37,286	\$ 6,083

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

Plan Descriptions

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

<u>Term of service</u>	<u>Percent of Final Average</u>
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the

date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. A cost-of-living

allowance is granted (based on the Consumer Price Index).

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. There is no cap on years of service credit

and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

Effective June 2010, benefits to LOEFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

There are 372 participating employers in LOEFF. Membership in LOEFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and beneficiaries receiving benefits	9,454
Terminated plan members entitled to, but not yet receiving benefits	674
Active plan members vested	13,363
Active plan members nonvested	<u>3,944</u>
Total	<u><u>27,435</u></u>

Funding Policy

Starting on July 1, 2000, LOEFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LOEFF Plan 2 employers and employees are required to pay at the level adopted by the LOEFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state

General Fund to supplement the current service liability and fund the prior service costs of LOEFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LOEFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer	0.16%	5.24%
Employee	None	8.46%

The employer rates include the employer administrative expense fee currently set at 0.16%.

Both the County and the employees made the required contributions. The County's required contributions for the years ended December 31 (in thousands):

	LEOFF Plan 1	LEOFF Plan 2
2008	\$ 1	\$ 3,537
2009	\$ 1	\$ 4,099
2010	\$ 1	\$ 4,035

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS became effective July 1, 2006. PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after July 1, 2006, by a covered employer, that meet at least one of the PSERS eligibility criteria.

A covered employer is one that participates in PSERS. Covered employers include:

- State of Washington agencies: Department of Corrections; Parks and Recreation Commission; Gambling Commission; Washington State Patrol; and Liquor Control Board.
- Washington state counties and Washington state cities, except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and:

- have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or

- function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- have primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, with an allowance of 2 percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit, and a cost-of-living allowance is granted based on the Consumer Price Index and capped at 3 percent annually.

There are 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2009:

Retirees and beneficiaries receiving benefits	2
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members vested	-
Active plan members nonvested	<u>4,340</u>
Total	<u><u>4,342</u></u>

Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level

established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, were as follows:

	<u>PSERS Plan 2</u>
Employer	7.85%
Employee	6.55%

The employer rate includes an employer administrative expense fee of 0.16%.

Both the County and the employees made the required contributions. The County's required contributions for the year ended December 31 (in thousands):

	<u>PSERS Plan 2</u>
2008	\$ 1,806
2009	\$ 2,156
2010	\$ 2,039

Seattle City Employees' Retirement System (SCERS)

SCERS is a cost-sharing, multiple-employer retirement plan administered in accordance with chapter 4.36 of the Seattle Municipal Code. County employees of the Department of Public Health who have established membership in SCERS remain covered by the City Retirement System. Employees of Public Transportation who are former employees of Seattle Transit are also covered by the system. SCERS provides retirement, death, and disability benefits.

Employees covered by this plan may retire after 30 years of service regardless of age; after age 52 with 20 years or more of service; after age 57 with ten or more years of service; and after age 62 with five or more years of service. Disability retirement is

available after ten years of service. The unmodified monthly retirement allowance is based on a percentage of average salary for every year of service to a maximum of 60 percent. The average salary for this plan is defined as the highest consecutive twenty-four months' average rate of pay. The percentage for each year of service used to compute the retirement benefit depends on the age at retirement and the years of service. It ranges from 1.2 percent at age 52 with 20 years of service to a maximum of 2 percent for each year of service. The maximum allowance a member can receive is the unmodified plan, which has no provision for a beneficiary and, at the member's death, stops all payments. Several optional retirement benefit formulas exist which provide for beneficiaries with reduced monthly allowances.

The SCERS member contribution rate is 8.03 percent of compensation except for members

qualifying for lower rates prior to June 1972. The County is required to contribute at an actuarially determined rate. The current rate is 8.03 percent of annual covered payroll. The contribution requirements of plan members and the County are established and may be amended by the Board of Administration. Both the County and the employees made the required contributions. The County's required contributions for the years 2008, 2009, and 2010 ending December 31 were \$644, \$615, and \$596 thousand, respectively.

Component Unit – Harborview Medical Center (HMC)

HMC personnel are University of Washington (UW) employees. HMC faculty and professional staff participate in the University of Washington Retirement Plan (UWRP), an IRC Section 403 (b) defined contribution retirement plan, authorized by the Board of Regents. HMC staff participate in a plan authorized by the State of Washington Department of Retirement Systems (DRS). Plan participation is defined by position, with the majority of HMC employees enrolled in one of the three Public Employees' Retirement Systems (PERS) plans.

All plans include contributions by both employee and employer. Employee contributions are tax-deferred. Employer contributions are paid semi-monthly by the UW in accordance with rates specified by the retirement systems.

Component Unit – Washington State Major League Baseball (WSMLB) Stadium Public Facilities District (PFD)

Employees of the District have the option of participating in either the Public Employees' Retirement System (PERS) or the Stadium PFD Retirement Plan (in 2010 no employees elected to participate in PERS). Employer contributions are paid by the District in accordance with rates specified by the individual plans.

Employees are also able to select the Stadium PFD Retirement Plan as an alternative benefit plan to PERS. The Plan is designated as a profit-sharing plan in accordance with Section 401 (a) (27) (B) of the Internal Revenue Code. No contributions by participants are required or permitted other than authorized rollover contributions. All contributions to the plan vest immediately. Actual contributions made to the plan in 2010 were \$400.

Component Unit – Cultural Development Authority of King County (CDA)

All CDA personnel participate in the Public Employees' Retirement System (PERS). PERS is a statewide local government retirement system administered by the State of Washington Department of Retirement Systems under cost-sharing, multiple-employer defined benefit public employee retirement systems.

Note 9**Postemployment Health Care Plan**

During the year ended December 31, 2007, the County elected to adopt the provisions of GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"* (GASB No. 45), which requires the County to accrue other postemployment benefits (OPEB) expense related to its postretirement health care plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the County, under GASB No. 45, has recorded a liability of \$30.7 million for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45. Such liability is included in other noncurrent liabilities in the accompanying December 31, 2010, balance sheet.

The effect of GASB No. 45 for the current fiscal year was to decrease the County's excess of revenue over expenses before capital contributions and the County's increase in net assets for the year ended December 31, 2010, by approximately \$7.8 million.

Plan Description The King County Health Plan (the Health Plan) is a single-employer defined-benefit health care plan administered by the County. The Health Plan provides medical, prescription drug, vision, and other unreimbursed medical benefits to eligible retirees. The Health Plan's actuary is Healthcare Actuaries. The Health Plan does not issue a separate stand-alone financial report.

Funding Policy LEOFF 1 retirees are not required to contribute to the Health Plan. All other retirees are required to pay the COBRA rate associated with the elected plan.

For the fiscal year ended December 31, 2010, the County contributed an estimated \$5.0 million to the Health Plan. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to prefund benefits.

Annual OPEB Cost and Net OPEB Obligation The basis for the County's annual OPEB cost (expense) is the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, the actuary projects will cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the County's annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the County's net OPEB obligation to the Health Plan for the year ended December 31, 2010 (in thousands):

Normal cost - Unit Credit Method	\$ 4,746
Amortization of unfunded actuarial accrued liability (UAAL)	369
Amortization of unfunded actuarial accrued liability (UAAL) at transition	7,989
Annual Required Contribution (ARC)	13,104
Interest on net OPEB obligation	603
Adjustment to annual required contribution	(872)
Annual OPEB cost (expense)	12,835
Contributions made	(5,007)
Increase in net OPEB obligation	7,828
Net OPEB obligation - beginning of year	22,912
Net OPEB obligation - end of year	\$ 30,740

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation (in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2008	\$ 11,675	27.8%	\$ 15,083
12/31/2009	12,836	39.0%	22,912
12/31/2010	12,835	39.0%	30,740

Funded Status and Funding Progress

The funded status of the Health Plan as of December 31, 2010 (in thousands):

Actuarial accrued liability (AAL) – Unit Credit (12/31/09 Valuation)	\$ 149,390
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 149,390
Funded ratio (actuarial value of plan assets ÷ AAL)	0.00%
Covered payroll (2010)	\$ 969,082
UAAL as a percentage of covered payroll	15.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB 45 requires that the schedule of funding progress, presented as required additional information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of Health Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions The basis of projections of benefits for financial reporting purposes is the substantive plan (the Health Plan as understood by the County and members of the Health Plan) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Members of the Health Plan members to that point. The actuarial methods and assumptions used include techniques that are

designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2009, valuation used the projected unit credit actuarial cost method. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 11.0 percent for KingCare medical, 8.5 percent for KingCare pharmacy, and 11.0 percent for HMO medical/pharmacy, each reduced by decrements to an ultimate rate of 5.2 percent after 71 years and 12 years for medical and pharmacy, respectively. The vision trend rate is 1.0 percent, the miscellaneous trend rate is 7.0 percent, and the Medicare Premium trend rate is 8.5 percent, for all years. All trend rates include a 3.0 percent inflation assumption, with the exception of vision trends. The amortization of the UAAL at transition uses a level dollar amount on a closed basis. The remaining amortization period at December 31, 2009, was 27.0 years. The UAAL is recalculated each year and amortized as a level dollar amount on an open basis over 30 years.

Component Unit – Harborview Medical Center (HMC)

Health care and life insurance programs for employees of the State of Washington are administered by the Washington State Health Care Authority (HCA). All University of Washington employees, including Medical Center employees, are employees of the State of Washington. State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors.

An actuarial study performed by the Washington Office of the State Actuary calculated the total OPEB obligation of the State of Washington. Since sufficient specific employee data and other actuarial data are not available at levels below the statewide level, such amounts have not been determined nor recorded in the University's nor the Medical Center's financial statements. This liability is recorded at the statewide level. The Medical Center was billed and paid \$54,773 and \$38,828, for health care expenses for the years ended June 30, 2010, and 2009, respectively, which included funding of the OPEB liability.

Note 10**Risk Management**

The County uses three internal service funds to account for and finance property/casualty, workers' compensation, and employee medical and dental benefits self-insurance programs. Unemployment liability is accounted for in the funds with loss experience and as governmental long-term liability. The County contracts with a plan administrator to process medical and dental claims. County fund/claims managers, together with the Civil Division of the Prosecuting Attorney's Office, are responsible for processing all tort and workers' compensation claims.

Claims settlements and loss expenses are accrued in the three internal service funds for the estimated settlement value of both reported and unreported claims. These funds are responsible for collecting interfund premiums from insured funds and departments for paying claim settlements and for purchasing certain policies. Interfund premiums are assessed on the basis of claims experience and are reported as revenues and expenses or expenditures.

Insurance Fund

The Insurance Fund, an internal service fund, accounts for the County's property/casualty program. The fund, established in 1977, accounts for the County's exposures to loss due to the tortious conduct of the County, including those commonly covered by general liability, automobile liability, police professional, public officials, errors and omissions, and professional malpractice insurance policies. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2010, is \$65.0 million.

The County purchases excess liability coverage that currently provides \$97.5 million in limits above a \$3.5 million per occurrence self-insured retention (SIR) for its general liability, automobile liability, police liability, public officials, errors and omissions, and Health Department professional malpractice exposures. Effective September 1, 2010, the County renewed the property insurance policy. This policy has a blanket limit of \$500 million above a \$250 thousand per occurrence

deductible and provides an overall earthquake sublimit of \$100 million. The 2010 policy was endorsed to cover Certified and Non-Certified Acts of Terrorism on a blanket basis up to \$250 million.

In addition to its excess liability policy and property insurance policies, the County has specific liability insurance policies to cover some of its other exposures. The County has a liability policy for the King County International Airport with policy limits of \$300 million per occurrence and an annual aggregate deductible of \$50 thousand; a liability policy to cover police helicopter activities with a limit of \$50 million per occurrence; a policy to cover the King County International Airport properties with a limit of \$160 million above a \$100 thousand per occurrence deductible; several flood insurance policies to cover County property in the Green River Valley with limits of \$250 to \$500 thousand and a deductible of \$1 thousand; and excess statutory coverage for the Workers' Compensation program over a \$2.5 million per occurrence SIR.

In the past three years there were three occurrences that resulted in payment in excess of the self-insured retention of \$2.5 million.

During 2010, there was significant change made in the County's insurance program. In April 2010, the County renewed its excess insurance program with a new \$3.5 million SIR that eliminates the "corridor deductible" of \$1.0 million above the \$2.5 million SIR of prior years.

The County has extensively reviewed and revised its marine policies to better address some new and expanding County exposures due mainly to the Homeland Security Act. The marine program now has limits of \$50 million with additional coverage for sudden and accidental pollution, maritime employers' liability, towers liability, and contingent charterers liability. The County also purchased a vessel pollution liability policy to cover passenger-only vessels with a limit of \$5 million per incident.

With the assistance of an actuary, the Insurance Fund's claims liability is estimated based upon historical claims experience and other actuarial techniques. Nonincremental claim adjustment expenses are not included as part of the liability.

Changes in the Insurance Fund's estimated claims liability in 2009 and 2010 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2009	\$ 59,269	\$ 18,045	\$ (14,673)	\$ 62,641
2010	62,641	20,718	(18,316)	65,043

Safety and Workers' Compensation Fund

The Safety and Workers' Compensation Fund, an internal service fund, accounts for the County's self-insurance for workers' compensation as certified under Title 51 Revised Code of Washington (RCW), Industrial Insurance Act. Interfund premiums are based on the hours worked by the fund/department-covered employees times an hourly rate that varies for different classes of employees and are recorded as quasi-external interfund transactions. Public Transportation and Water Quality internal fund charges are derived from actuarial projections of their future claims and administrative costs. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the financial statements is discounted at 3 percent, the County's average forecasted rate of return on investments. As of December 31, 2010, the total discounted claim liability is \$79.4 million and the undiscounted

carrying amount of the claim liability is \$88.2 million.

The County purchases an excess workers' compensation policy that provides statutory limits coverage. The amount of loss retained by King County (the self-insured retention) under this policy, effective September 1, 2004, was \$2.5 million. In the prior three years, there has been no settlement in excess of the insurance coverage.

The Fund's claims liability is estimated by an independent actuary and discounted. The claim liability represents the estimated ultimate amount to be paid for reported and incurred but not reported claims based on past experience and other actuarial techniques. Nonincremental claim adjustment expenses are not included as part of the liability.

Changes in the Safety and Workers' Compensation Fund's claims liability in 2009 and 2010 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2009	\$ 72,691	\$ 23,502	\$ (19,376)	\$ 76,817
2010	76,817	22,336	(19,722)	79,431

Employee Benefits Program Fund

The Employee Benefits Program Fund, an internal service fund, accounts for employee medical, dental, vision, life, accidental death and dismemberment (AD&D), and long-term disability (LTD) benefit programs. There are two self-insured medical plans. The pharmacy, dental and vision plans are also self-insured. The life, AD&D and LTD are fully

insured. Interfund premiums are determined on a per employee, per month basis and charged to departments through a composite rate of expected claims and expenses. In some cases, there are employee contributions towards premiums. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2010, is \$18.9 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2009 and 2010 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2009	\$ 13,826	\$ 160,660	\$ (161,015)	\$ 13,471
2010	13,471	173,807	(168,427)	18,851

Unemployment Liability

The County has elected to retain the risk for unemployment compensation payable to former County employees. The State of Washington Employment Security Department bills the County for the unemployment compensation benefits paid to former employees.

Expenditures are then recognized in various county funds. In addition, a long-term liability of \$2.5 million is recorded in governmental long-term liability for the estimated future claims liability for employees as of December 31, 2010.

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2009	\$ 1,181	\$ 4,049	\$ (2,652)	\$ 2,578
2010	2,578	3,327	(3,439)	2,466

Component Unit – Harborview Medical Center**Insurance Fund**

Harborview Medical Center (HMC) participates in a self-insurance revolving fund for professional liability coverage through the University of Washington (UW). As of June 30, 2010, the UW did not carry commercial general liability coverage at levels below \$2 million per occurrence. The UW's philosophy with respect to its self-insurance programs is to fully fund its anticipated losses through the establishment of actuarially determined self-insurance reserves. These reserves are deposited in a statutorily created and regulated fund and can only be expended for payment of claim costs and related expenses.

The annual funding to the self-insurance revolving fund is determined by the UW administration based on recommendations from the UW's Risk

Management Advisory Committee. The HMC's *pro rata* share of premiums paid to the self-insurance revolving fund was approximately \$1.7 million in the period July 1, 2008 to June 30, 2009, and \$2.0 million in the period July 1, 2009 to June 30, 2010.

Employee Benefits Program

Eligible permanent employees of HMC receive the basic insurance benefits package purchased by the University of Washington through the Public Employees Benefits Board (PEBB). HMC faculty and staff meeting PEBB eligibility rules receive this package of medical, dental, life, and long-term disability (LTD) insurance. In addition, there are optional employee-paid components to the life and LTD insurance available to employees.

All employees of HMC are covered by Workers' Compensation and Medical Aid Acts for injuries and occupational diseases that occur during the course

of their employment. Coverage includes doctors' services, hospital care, ambulance, appliances, compensation for permanent, partial, and total disability, and allowances and pensions to surviving spouses and children in the case of fatal injuries. A majority of the premium cost is paid by the UW and a small deduction is made from the employee's pay to conform with state law.

Component Unit – WSMCBS Public Facilities District

Insurance Fund

The Washington State Major League Baseball Stadium Public Facilities District (PFD) carries commercial general liability insurance with a general aggregate limit of \$2 million and a per occurrence limit of \$1 million. Commercial personal property losses are covered up to the replacement value not exceeding \$67 thousand.

Component Unit – Cultural Development Authority of King County

Insurance Fund

The Cultural Development Authority of King County (CDA) carries comprehensive general liability, auto liability and employee benefit liability coverage with a limit of \$10 million per occurrence and no aggregate limit. Commercial property losses are covered up to the replacement cost on file with Washington Governmental Entity Pool. The CDA also carries Public Official Errors and Omissions Liability coverage with a limit of \$10 million per occurrence and an aggregate limit of \$10 million.

Employee Benefits Program

Employees of the CDA have a comprehensive health benefits package through the Public Employees Benefits Board (PEBB), which includes medical, dental, basic life, and long-term disability coverage. In addition, the PEBB offers the following optional products: long-term care, auto, and home insurance. The State of Washington Health Care Authority (HCA) is the administering authority. The CDA also offers insurance with American Family Life Assurance Company (AFLAC). With the AFLAC coverage, the CDA employees can pick from a selection of insurance policies at their own expense.

Note 11**Leases****Capital Leases**

King County has entered into agreements to purchase buildings, machinery, and equipment through capital lease and installment purchase

agreements. Assets acquired and liabilities incurred through such agreements for governmental funds are accounted for under Governmental Activities. All capital leases related to Governmental Activities were settled during 2010. Such assets and liabilities related to proprietary funds are accounted for within the proprietary funds (Business-type Activities).

Capital assets and outstanding liabilities relating to capital lease agreements and installment purchase contracts as of December 31, 2010 (in thousands):

	Business-type Activities	
	Capital Assets	Capital Leases Payable
Leasehold improvements	\$ 4,900	\$ 3,279
Less depreciation	(1,430)	-
Totals	\$ 3,470	\$ 3,279

Future minimum lease payments under capital lease and installment purchase agreements together with the present value of the net minimum lease payments as of December 31, 2010 (in thousands):

	Minimum Lease Payments
2011	\$ 255
2012	255
2013	255
2014	255
2015	255
2016-2020	1,275
2021-2025	1,275
2026-2030	1,275
2031-2035	148
Total minimum lease payments	5,248
Less: Amount representing interest	(1,969)
Present value of net minimum lease payments	\$ 3,279

Operating Leases

The County has numerous operating lease commitments for office space, equipment, radio towers, and railroad tracks. The Information and Telecommunications Services Fund leases computer hardware; these leases include maintenance agreements. Expenditures for the year

ended December 31, 2010, for operating lease and rental agreements for office space, equipment, and other operating leases amount to \$40.4 million. The patterns of future lease payment requirements are systematic and rational.

Future minimum lease payments for these leases (in thousands):

<u>Year</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
2011	\$ 6, 927	\$ 315	\$ 1, 299	\$ 8, 541
2012	5, 930	276	1, 131	7, 337
2013	5, 868	161	1, 126	7, 155
2014	5, 164	-	1, 082	6, 246
2015	4, 286	-	1, 006	5, 292
2016-2020	10, 718	-	4, 385	15, 103
2021-2025	1, 385	-	3, 550	4, 935
2026-2030	1, 036	-	2, 656	3, 692
2031-2035	817	-	2, 582	3, 399
2036-2040	418	-	2, 784	3, 202
2041-2045	-	-	3, 007	3, 007
2046-2050	-	-	3, 020	3, 020
2051-2055	-	-	1, 685	1, 685

The County currently leases some of its property to various tenants under long-term, renewable, and noncancelable contracts. Under business-type activities, the King County Airport Enterprise leases out most of the buildings and grounds in the King

County International Airport/Boeing Field complex to companies and government agencies in the aviation industry.

The County's investment in property under long-term, noncancelable operating leases as of December 31, 2010 (in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
		<u>Airport</u>	<u>Other</u>
Land	\$ 819	\$ 11,220	\$ 3,657
Buildings	2,548	33,375	1,218
Less depreciation	(1,839)	(16,206)	(595)
Total cost of property under lease	<u>\$ 1,528</u>	<u>\$ 28,389</u>	<u>\$ 4,280</u>

Minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2010 (in thousands):

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>		<u>Total</u>
		<u>Airport</u>	<u>Other</u>	
2011	\$ 2,268	\$ 5,008	\$ 987	\$ 8,263
2012	18,905	4,859	7,446	31,210
2013	1,797	4,637	6,901	13,335
2014	1,732	4,518	6,673	12,923
2015	1,656	4,295	6,343	12,294

Note 12**Landfill Closure and Post-Closure Costs**

King County is legally responsible for closure and post-closure care costs associated with the County's solid waste landfills. Estimated costs of closure and post-closure care are recognized as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in current dollars. Actual cost may be different due to inflation, deflation, changes in technology, or changes in laws or regulations.

State and federal laws and regulations require King County to place a final cover on its Cedar Hills Landfill site when the County stops accepting waste at this location. Certain maintenance and monitoring functions are also required at the sites for 30 years following closure. Enumclaw, Hobart, Duvall, Vashon, and Cedar Falls landfills have been covered. Puyallup, Houghton, Bow Lake, and First Northeast are custodial landfills which were covered 30 or more years ago and are no longer subject to these laws and regulations.

Although closure and post-closure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these costs as an operating expense in each period. The expense is based on landfill capacity used as of each year-end.

The County is required by state and federal laws and regulations to make annual contributions to a reserve fund to finance closure and post-closure care. The County is in compliance with these

requirements. As of December 31, 2010, cash and cash equivalents of \$32.9 million were held in the Landfill Reserve Fund. Cash and cash equivalents and other restricted assets of \$5.0 million were held in the Landfill Post-closure Maintenance Fund.

The County expects that future cost increases resulting from inflation will be covered by the interest income earned on these annual contributions. If interest earnings are inadequate, or additional post-closure care requirements are determined (due to changes in technology or regulations), the County may need to increase future user fees or tax revenues.

The County also established the Environmental Reserve Fund for future investigation and possible remediation of custodial landfills. Because landfill investigations and foreseeable remediation efforts are complete there is no liability recorded for custodial landfills.

In 2010, estimated Cedar Hills Landfill capacity increased due to the approval of Area 8, and the post-closure estimate was revised based on historical post-closure costs, resulting in a negative landfill closure and post-closure expense recognition.

The \$85.5 million reported as landfill closure and post-closure care liability as of December 31, 2010, represents the cumulative percentage reported based on the amount that each of the landfills has been filled to date as follows (dollars in thousands):

<u>Landfill</u>	<u>Percent Filled</u>	<u>Estimated Liability</u>	<u>Estimated Remaining Liability</u>	<u>Estimated Year of Closure</u>
Cedar Hills	74%	\$ 56,376	\$ 58,524	2024
Covered	100%	21,906	-	Closed
Custodial	100%	7,215	-	Closed

Note 13**Environmental Remediation**

The County accounts for pollution remediation liabilities in accordance with GASBS 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This guidance mandates recognition and reporting of a liability for pollution remediation whenever the County is obligated for future cleanup and the amounts are reasonably estimable.

Liabilities reported at the end of 2010 do not include potential costs of cleanup that may arise out of the legal issues described in Note 18 - "Legal Matters, Contingent Liabilities, and Other Commitments." The likelihood of negative outcomes in these matters and the amount of liabilities that may arise cannot be reasonably estimated. The major sites where the County is conducting remediation activities are:

Elliott Bay and the Lower Duwamish Waterway – These ongoing projects include the sediment management of aquatic habitats along Elliott Bay and the cleanup of certain sites along the Lower Duwamish Waterway. The Sediment Management Project has been approved by the King County Council as a self-obligated pollution remediation program. The Lower Duwamish Waterway project became an obligation when King County entered into an Administrative Order on Consent (AOC) with the Washington State Department of Ecology (DOE) and the U.S. Environmental Protection Agency (EPA). This AOC also includes the Boeing Company, the City of Seattle, and the Port of Seattle as parties to the cleanup. Each party has agreed to pay one-fourth of the cleanup costs.

Both projects may result in additional cleanup efforts as a result of additional regulatory orders. The EPA has announced its intention to negotiate an agreement with local governments, including King County, and other Potentially Responsible Parties (PRPs) for the remediation of Combined Sewer Outflows which may result in the recording of additional pollution remediation liabilities in the future. These potential cleanup liabilities cannot be currently estimated. Ongoing regulatory action may identify other PRPs for the Lower Duwamish Waterway cleanup.

There are no estimated recoveries at this time that will reduce the amount of these obligations. However, the State of Washington has indicated that it intends to fund grants in support of the

Lower Duwamish Waterway cleanup. These amounts are forecast at \$1.2 million over the period from 2011 to 2016. The total environmental remediation liability at December 31, 2010, stands at \$37.8 million. This liability is an estimate and is subject to changes resulting from price increases or reductions, changes in technology, or changes in applicable laws or regulations.

The methods for estimating liabilities are based on internal engineering analysis, program experience, and cost projections for the remediation activities scheduled to be undertaken in future years as programmed under Water Quality's Regional Wastewater Services Plan. Certain costs were developed by consulting engineers. Costs were estimated using the expected cash flow method. For the Lower Duwamish Waterway Project a weighted average method is used to calculate the liability. The Sediment Management Plan does not employ a weighted average cost estimate because the remaining work is well-defined and negates the utility of multiple estimates. The cost estimates continue to be remeasured as succeeding benchmarks are reached or when cost assumptions are modified.

Lake Union Tank and Dearborn Groundwater Monitoring – The Public Transportation Enterprise reported an environmental remediation liability of \$351 thousand at year-end. The remediation obligation is primarily related to monitoring soil and groundwater contamination at the Lake Union Tank and Dearborn (under consent decrees from the DOE), and groundwater monitoring at two bus operation bases on a voluntary basis. The liability was measured at the estimated amounts compiled by Public Transportation staff with knowledge of environmental issues at the sites, using the expected cash flow technique. This liability is an estimate and is subject to changes resulting from additional information regarding the level of contamination at specific sites, price increases or reductions, changes in technology, or changes in applicable laws or regulations.

Gasworks Park – In 2005, the City of Seattle and Puget Sound Energy (PSE) entered an agreed order with the DOE for investigating and identifying cleanup options for Lake Union sediments surrounding Gasworks Park. The City and PSE named the Public Transportation Enterprise and Chevron Corporation as additional potentially liable parties (PLPs) related to this site. Subsequently, the

DOE notified the Public Transportation Enterprise and Chevron Corporation that they might be PLPs under the Model Toxics Control Act. The DOE has not issued a final decision regarding the Enterprise's status as a PLP. No liability has been recorded because outlays for the site cleanup were not reasonably estimable at December 31, 2010.

Lower Duwamish Waterway Slip 4 – Remediation work includes an approved dredge and cap operation. Slip 4, which is within the Lower Duwamish Waterway, was designated an early action site for cleanup by the EPA and the DOE. The EPA has designated King County and the City of Seattle as PRPs. The total liability, which was estimated using the expected cash flow technique, is estimated to be \$6.9 million. King County and the City of Seattle have agreed to each bear 50 percent of this cost, with the City acting as Project Manager. The County and the City expect to recover the full \$6.9 million from Boeing. Remediation cost estimates are subject to changes due to price increases or reductions, changes in technology, or changes in applicable laws or agreements.

Lower Duwamish Waterway North Boeing Field – Remediation work involves source control of contaminants which may feed into Slip 4. The DOE has issued a determination that King County, the City of Seattle, and the Boeing Company are PLPs to this site. The total liability, estimated by an independent engineering firm using the expected cash flow technique, is estimated to be \$2.5 million; the County expects to recover all but \$869 thousand from the City and Boeing. Remediation cost estimates are subject to changes due to price increases or reductions, changes in technology, or changes in applicable laws or agreements.

7777 Perimeter Road – Remediation work involved DOE-required cleanup of a contaminated site. Work at this site, which involved building an underground wall to seal off the contaminants, was substantially completed in 2010. Contaminated levels will continue to be monitored for one year after completion of the project. If the contaminant levels pass standards for one year the DOE will issue a "no further action" determination. The remaining amount of the contract under which remediation work was performed is \$114 thousand; this amount remains as a potential liability due to the possible need for using these funds if further work is required.

Maury Island Gravel Mine Site – In December 2010, King County acquired approximately 250 acres of property on Vashon Island. The property is within the footprint of the former ASARCO smelter plume, and contains elevated levels of lead and arsenic. King County is investigating the extent of contamination and potential remedial actions. King County is negotiating with the Washington State DOE regarding a potential Agreed Order under the Model Toxics Control Act. The Agreed Order is not final and the scope of required remediation has not been determined. Due to the high level of regulatory review, approval requirements, and environmental permitting associated with any remediation project, at present the County is unable to determine what type of remediation activity may be required or the schedule of any required remediation. In addition, the County is unable to determine any potential cost obligations or possible recoveries that would reduce the amount of these obligations.

Note 14**Debt****Short-term Debt Instruments and Liquidity**

For governmental activities, the County has three short-term debt instruments outstanding at year-end. On June 9, 2010, the County completed the sale of \$6.3 million Series B tax-exempt and \$17.8 million Series C taxable limited tax general obligation (GO) Bond Anticipation Notes with a maturity date of December 1, 2011. The proceeds of the notes are accounted for in the Green River Flood Mitigation fund. Proceeds from the sale of the notes are used to refinance two Bond Anticipation Notes issued on December 29, 2009. Also, a portion of the proceeds from the sale of the notes will be used to pay for the costs of issuing the notes. The County intends to finance the repayment of the notes by issuing bonds in 2011. In addition, the

County completed the sale of \$60.2 million tax-exempt limited tax general obligation (GO) Bond Anticipation Notes with a maturity date of June 15, 2011. The proceeds of the Notes have been accounted for in the Office of Information Resource Management capital project fund. The proceeds were used to provide interim financing to upgrade the County's technology infrastructure. The County has financed the repayment of the Notes by issuing new Bond Anticipation Notes in June 2011.

For business-type activities, the County has \$100 million of commercial paper outstanding in the Water Quality Enterprise Fund at year-end. The commercial paper has maturity dates ranging from 62 to 94 days. At the time of initial issuance, the proceeds of the commercial paper were transferred to the construction fund for use in the capital activities of the Enterprise. The debt will be repaid from operating revenues.

**CHANGES IN SHORT-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)**

	Balance 01/01/10	Additions	Reductions	Balance 12/31/10
Governmental activities:				
Limited tax GO bond anticipation notes	\$ 27,095	\$ 84,290	\$ (27,095)	\$ 84,290
Unamortized premium bonds sold	-	630	-	630
Governmental activities short-term debt	<u>\$ 27,095</u>	<u>\$ 84,920</u>	<u>\$ (27,095)</u>	<u>\$ 84,920</u>
Business-type activities:				
Commercial paper	\$ 100,000	\$ 953,409	\$ (953,409)	\$ 100,000
Business-type activities short-term debt	<u>\$ 100,000</u>	<u>\$ 953,409</u>	<u>\$ (953,409)</u>	<u>\$ 100,000</u>

Long-term Debt

King County has long-term debt reported with both governmental activities and business-type activities. For governmental activities, long-term debt consists of general obligation bonds and lease revenue bonds accounted for in the Internal Service Funds.

For business-type activities, long-term debt consisted of limited tax general obligation bonds accounted for in the King County International Airport, Institutional Network (I-NET), Solid Waste, Public Transportation, and Water Quality Enterprise Funds; capital leases accounted for in the Public Transportation Fund; and Sewer Revenue Bonds and State of Washington revolving loans accounted for in the Water Quality Enterprise Fund.

SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/10
I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT					
IA. Limited Tax General Obligation Bonds (LTGO)					
2001 Various Purpose (Partial)	11/01/01	12/01/21	3.00-5.00%	\$ 26,865	\$ 1,200
2002 Refunding 1997B Bonds (Baseball Stadium)	06/04/02	12/01/14	4.00-5.50%	124,575	37,365
2002 Various Purpose (Road CIP) Bonds	10/01/02	12/01/16	2.00-5.00%	38,340	8,910
2003 Limited Tax GO (Payoff BAN 2003B) Series A	10/30/03	06/01/23	2.00-5.25%	27,605	20,755
2003 Various Purpose Refunding Bonds Series B (Partial)	10/30/03	06/01/23	2.00-5.25%	27,890	9,400
2004 Refunding Bonds Series A	09/21/04	01/01/16	2.00-5.00%	57,045	40,445
2004 Limited Tax GO (Payoff BAN2003A) Series B	10/01/04	01/01/25	2.50-5.00%	82,435	68,690
2005 Refunding Bonds Series A	06/29/05	01/01/19	5.00%	22,510	22,510
2006 Refunding Bonds (Partial)	12/14/06	01/01/19	4.00-5.00%	38,330	28,455
2006 HUD Section 108 Bonds – Greenbridge Project	08/01/06	08/01/24	4.96-5.70%	6,783	4,905
2007 Kingdome Debt Series A Refunding 1997F	09/05/07	12/01/15	4.00-5.00%	48,665	48,100
2007 Various Purpose Series C	11/01/07	01/01/28	4.00-4.50%	10,695	9,915
2007 Various Purpose Series D	11/01/07	01/01/28	4.00-5.00%	34,630	32,185
2007 Various Purpose Series E (Partial)	11/27/07	12/01/17	4.00-5.00%	3,070	2,290
2009 Multi-Modal Limited Tax GO Bond Series A	02/26/09	06/01/29	Variable ^(a)	50,000	48,100
2009 Various Purpose Capital Facilities Project Series B2	05/12/09	06/01/29	2.00-5.13%	34,810	33,895
2009 Limited Tax GO (Refg 1993B) Series C	12/10/09	01/01/24	4.50%	17,150	16,975
2009 Refunding Bonds Series D (Partial)	12/10/09	12/01/12	4.50-5.25%	6,149	4,154
2010 Partial Refunding 2001VP Series A	10/18/10	12/31/21	2.00-5.00%	11,695	11,475
2010 Partial Refunding 2002 VP Series A	10/18/10	12/31/21	2.00-5.00%	9,600	9,600
2010 Tax Exempt Series A	11/15/10	12/01/14	2.00-5.00%	21,970	21,970
2010 Taxable BABs Series B	11/15/10	12/01/30	2.85-6.05%	24,480	24,480
2010 Taxable RZEDBs Series C	11/15/10	12/01/30	4.58-6.05%	23,165	23,165
2010 Taxable QECBs Series D	11/15/10	12/01/25	4.33-5.43%	2,825	2,825
2010 Tax Exempt Series E	11/15/10	12/01/30	2.00-4.50%	10,025	10,025
Total Payable From Limited Tax GO Redemption Fund				<u>761,307</u>	<u>541,789</u>
Payable From Internal Service Funds					
2001 Various Purpose (Partial)	11/01/01	12/01/11	3.00-5.00%	1,050	125
Total Payable From Internal Service Funds				<u>1,050</u>	<u>125</u>
Total Limited Tax General Obligation Debt				<u>762,357</u>	<u>541,914</u>
IB. Unlimited Tax General Obligation Bonds (ULTGO)					
Payable From Unlimited Tax GO Redemption Fund					
2003 Refunding 1993 Series C Bonds	04/23/03	06/01/19	2.00-5.25%	108,795	12,985
2004 Harborview Medical Center Series A	05/04/04	12/01/23	2.00-5.00%	110,000	89,750
2004 Harborview Medical Center Series B	09/14/04	06/01/23	3.00-5.00%	54,000	45,085
2009 Refunding 2001(HMC) Series A	12/10/09	12/01/20	4.30-5.00%	19,570	19,325
2010 Partial Refunding 2000 UTGO Series A	10/18/10	12/31/15	3.00-5.00%	16,305	15,915
Total Payable From Unlimited Tax GO Bond Redemption Fund				<u>308,670</u>	<u>183,060</u>
Payable From Stadium GO Bond Redemption Fund					
2010 Refunding 2000 UTGO Series A	10/18/10	12/31/12	3.00-5.00%	3,500	3,435
Total Unlimited Tax General Obligation Bonds				<u>312,170</u>	<u>186,495</u>
IC. Lease Revenue Bonds ^(b)					
Payable From Internal Service Funds					
2002 Broadway Office Property – HMC Office Space	11/13/02	12/01/31	4.00-5.38%	62,540	55,915
2005 Goathill Property – Chinook Building	02/03/05	12/01/33	4.00-5.25%	101,035	94,360
2006A NJB Properties – HMC	12/05/06	12/01/36	5.00%	179,285	179,285
2006B NJB Properties – HMC (Taxable)	12/05/06	12/01/36	5.51%	10,435	10,435
2007 King Street Center Project Refunding 1997	03/08/07	06/01/25	4.00-5.00%	62,400	55,995
Total Lease Revenue Bonds Payable from Internal Service Funds				<u>415,695</u>	<u>395,990</u>
TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				<u>1,490,222</u>	<u>1,124,399</u>

SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/10
II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT					
IIA. Limited Tax General Obligation Bonds (LTGO)					
Payable From Enterprise Funds					
2001 LTGO Various Purpose (Partial)	11/01/01	12/01/21	3.00-5.00%	\$ 8,635	\$ 415
2002 LTGO (Public Transp. Sales Tax) Refunding Bonds	11/05/02	12/01/19	3.00-5.50%	64,285	40,840
2004 LTGO (Public Transp. Sales Tax) Bonds	06/08/04	06/01/34	2.50-5.50%	49,695	44,590
2005 LTGO (WQ-LTGO) Bonds	04/21/05	01/01/35	5.00%	200,000	200,000
2006 Refunding Bonds (Partial)	12/14/06	01/01/15	4.00-5.00%	7,995	3,100
2007 Various Purpose Series E (Partial)	11/27/07	12/01/27	4.00-5.00%	40,635	36,685
2008 LTGO (WQ-LTGO) Refunding Bonds	02/12/08	01/01/34	3.25-5.25%	236,950	230,515
2009 LTGO (Public Transp. Sales Tax) Refunding Bonds	02/18/09	12/01/19	2.00-4.00%	48,535	40,535
2009 LTGO (WQ-LTGO) Bonds Series B	04/08/09	01/01/39	5.00-5.25%	300,000	300,000
2009 Refunding Bonds Series D (Partial)	12/10/09	12/01/12	2.00-4.00%	3,126	2,111
2010 Partial Refunding 2001VP Series A	10/18/10	12/31/21	2.00-5.00%	5,110	5,010
2010 Tax Exempt Series A	11/15/10	12/01/14	2.00-5.00%	3,855	3,855
2010 Taxable BABs Series B	11/15/10	12/01/30	2.85-6.05%	20,555	20,555
2010 Taxable QECBs Series D	11/15/10	12/01/25	4.33-5.43%	3,000	3,000
2010 LTGO (WQ) Series A	01/12/10	01/01/40	Variable ^(a)	50,000	50,000
2010 LTGO (WQ) Series B	01/12/10	01/01/40	Variable ^(a)	50,000	50,000
Total Limited Tax GO Bonds Payable From Enterprise Funds				<u>1,092,376</u>	<u>1,031,211</u>
IIB. Revenue Bonds, Capital Leases and Loans					
Payable From Enterprise Funds					
2001 WQ Revenue Bonds Junior Lien Series A	08/06/01	01/01/32	Variable ^(c)	50,000	50,000
2001 WQ Revenue Bonds Junior Lien Series B	08/06/01	01/01/32	Variable ^(c)	50,000	50,000
2001 WQ Revenue and Refunding Bonds	11/28/01	01/01/35	3.00-5.25%	270,060	183,555
2002 WQ Revenue Bonds Series A	08/14/02	01/01/35	5.00-5.50%	100,000	94,960
2002 WQ Revenue Refunding Bonds Series B	10/03/02	01/01/33	3.00-5.50%	346,130	226,670
2003 WQ Revenue Refunding Bonds	04/24/03	01/01/35	2.00-5.25%	96,470	90,905
2004 WQ Revenue Bonds Series A	03/18/04	01/01/35	4.50-5.00%	185,000	185,000
2004 WQ Revenue Refunding 1999-2 Bonds Series B	03/18/04	01/01/35	2.00-5.00%	61,760	57,015
2006 WQ Revenue and Refunding 1999-1 Bonds Series A	05/16/06	01/01/36	5.00%	124,070	124,070
2006 WQ Revenue and Refunding Bonds Series B-2	11/30/06	01/01/36	3.50-5.00%	193,435	186,810
2007 WQ Revenue Bonds	06/26/07	01/01/47	5.00%	250,000	250,000
2008 WQ Revenue Bonds	08/14/08	01/01/48	5.00-5.75%	350,000	350,000
2009 WQ Revenue Bonds	08/12/09	01/01/42	4.00-5.25%	250,000	250,000
2010 WQ Revenue Bonds	07/19/10	01/01/50	2.00-5.00%	334,365	334,365
2000-2010 State of Washington Revolving Loans	Various	Various	0.50-3.10%	177,834	135,995
2000 Public Transp. Park and Ride Capital Leases	03/30/00	12/31/31	5.00%	4,722	3,279
Total Revenue Bonds, Capital Leases and Loans Payable From Enterprise Funds				<u>2,843,846</u>	<u>2,572,624</u>
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				<u>3,936,221</u>	<u>3,603,835</u>
TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES)				<u>\$ 5,426,444</u>	<u>\$ 4,728,234</u>

(a) The Multi-Modal bonds initially issued in the Weekly Mode bear interest at Weekly Rates. The bonds in the Weekly Mode may be converted to Daily Mode, Flexible Mode, Term Rate Mode or Fixed Rate Mode.

(b) Lease revenue bonds were bonds issued in accordance with the provisions of Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the lease agreements, the County's obligation to pay rent is a limited tax general obligation of the County.

(c) The variable rate bonds initially issued in the Weekly Mode will bear interest at Weekly Rates. The Weekly Rate for each Interest Period is determined by the Remarketing Agents. The bonds in the Weekly Mode may be changed to or from the Weekly Mode to or from a Daily Mode, a Commercial Paper Mode, or a Long-term Mode, or to a Fixed Mode, upon satisfaction of the "Change in Modes" conditions.

DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)

GOVERNMENTAL ACTIVITIES							
Year	General Obligation Bonds		Lease Revenue Bonds		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
2011	\$ 51,588	\$ 33,207	\$ 10,465	\$ 19,390	\$ 62,053	\$ 52,597	
2012	68,235	31,006	10,965	18,892	79,200	49,898	
2013	81,415	27,831	11,490	18,365	92,905	46,196	
2014	67,497	23,977	12,060	17,795	79,557	41,772	
2015	64,172	21,016	12,675	17,180	76,847	38,196	
2016-2020	192,650	71,744	73,225	76,050	265,875	147,794	
2021-2025	151,284	29,958	90,940	56,581	242,224	86,539	
2026-2030	51,568	6,900	88,205	35,217	139,773	42,117	
2031-2035	-	-	73,365	13,106	73,365	13,106	
2036-2040	-	-	12,600	634	12,600	634	
TOTAL	\$ 728,409	\$ 245,639	\$ 395,990	\$ 273,210	\$ 1,124,399	\$ 518,849	

BUSINESS-TYPE ACTIVITIES								Debt Service Requirements to Maturity	
Year	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2011	\$ 15,648	\$ 49,720	\$ 42,096	\$ 114,861	\$ 57,744	\$ 164,581	\$ 119,797	\$ 217,178	
2012	16,260	49,320	46,621	114,761	62,881	164,081	142,081	213,979	
2013	15,776	48,666	46,936	112,992	62,712	161,658	155,617	207,854	
2014	21,951	47,848	52,139	110,668	74,090	158,516	153,647	200,288	
2015	24,505	46,770	54,474	108,135	78,979	154,905	155,826	193,101	
2016-2020	175,126	211,737	260,750	506,262	435,876	717,999	701,751	865,793	
2021-2025	168,466	168,130	297,266	462,755	465,732	630,885	707,956	717,424	
2026-2030	202,562	121,137	343,312	408,245	545,874	529,382	685,647	571,499	
2031-2035	215,670	67,348	528,370	297,300	744,040	364,648	817,405	377,754	
2036-2040	175,247	30,288	349,300	190,537	524,547	220,825	537,147	221,459	
2041-2045	-	-	340,110	96,944	340,110	96,944	340,110	96,944	
2046-2050	-	-	211,250	20,185	211,250	20,185	211,250	20,185	
TOTAL	\$ 1,031,211	\$ 840,964	\$ 2,572,624	\$ 2,543,645	\$ 3,603,835	\$ 3,384,609	\$ 4,728,234	\$ 3,903,458	

Summary of changes in long-term liabilities for the year ended December 31, 2010 (in thousands):

	Balance 01/01/10	Additions	Reductions	Balance 12/31/10	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 724,295	\$ 125,175	\$ (121,061)	\$ 728,409	\$ 51,588
Lease revenue bonds ^(a)	402,455	-	(6,465)	395,990	10,465
Less deferred amounts:					
Unamortized premium bonds sold	22,557	6,520	(4,844)	24,233	-
Refunding	(8,340)	(3,658)	2,977	(9,021)	-
Total bonds payable	1,140,967	128,037	(129,393)	1,139,611	62,053
Claims and judgments payable	-	2,237	-	2,237	2,237
Compensated absences liability	91,206	6,397	(3,144)	94,459	4,106
Other postemployment benefits	18,538	6,334	-	24,872	-
Unemployment compensated liabilities	2,578	(2,764)	2,652	2,466	2,466
Estimated claims settlements and other liabilities	152,959	216,861	(206,495)	163,325	99,784
Rebatable arbitrage	17	-	(17)	-	-
Total Governmental activities long-term liabilities	<u>\$ 1,406,265</u>	<u>\$ 357,102</u>	<u>\$ (336,397)</u>	<u>\$ 1,426,970</u>	<u>\$ 170,646</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 919,681	\$ 132,520	\$ (20,990)	\$ 1,031,211	\$ 15,569
Revenue bonds	2,167,365	334,365	(68,380)	2,433,350	33,860
Less deferred amounts:					
Unamortized premium bonds sold	52,927	22,783	(4,635)	71,075	-
Refunding	(62,325)	(3,007)	5,699	(59,633)	-
Total bonds payable	3,077,648	486,661	(88,306)	3,476,003	49,429
Capital leases	3,368	-	(89)	3,279	94
State revolving loans	141,165	2,545	(7,715)	135,995	7,896
Retainage payable	23,834	1,644	(3,614)	21,864	19,833
Compensated absences liability	66,060	21,074	(18,402)	68,732	8,752
Other postemployment benefits	4,374	2,214	(720)	5,868	-
Landfill closure and post-closure care liability	108,150	-	(22,653)	85,497	5,938
Environmental remediation and other liabilities	50,381	3,980	(11,821)	42,540	5,599
Customer Deposits ^(b)	2,362	336	(2,008)	690	265
Total Business-type activities long-term liabilities	<u>\$ 3,477,342</u>	<u>\$ 518,454</u>	<u>\$ (155,328)</u>	<u>\$ 3,840,468</u>	<u>\$ 97,806</u>

Governmental activities long-term liabilities, other than debt, are primarily estimated claims settlements liquidated by internal service funds. At year-end, internal service funds estimated claims settlements of \$163.4 million are included in the above amount. Governmental activities compensated absences are liquidated by the governmental fund in which an employee receiving the payment is budgeted, including most notably the General Fund, the Public Health Fund, and the County Road Fund.

(a) Lease revenue bonds were bonds issued in accordance with the provisions of Revenue Ruling 63-20 and Revenue Procedure 82-26. Under the lease agreements, the County's obligation to pay rent is a limited tax general obligation of the County.

(b) Customer deposits in business-type activities were reclassified from current liabilities to non-current liabilities in 2010.

Computation of Legal Debt Margin

Under Washington State law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2.5 percent of the assessed value of all taxable property within the county. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people; any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last state general election and, of those voting, 60 percent must be in the affirmative. The County Council may by resolution authorize the issuance of limited tax

general obligation debt in an amount up to 1.5 percent of assessed value of property within the County for general county purposes and 0.75 percent for metropolitan functions, but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1.5 percent of assessed value. No combination of limited and unlimited tax debt, for general county purposes, and no combination of limited and unlimited tax debt, for metropolitan functions, may exceed 2.5 percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected within the \$1.80 per \$1,000 of assessed value operating levy.

The legal debt margin computation for the year ended December 31, 2010 (in thousands):

2010 ASSESSED VALUE (2011 TAX YEAR)	\$ 330,414,999
Debt limit of limited tax (LT) general obligations for metropolitan functions	
0.75 % of assessed value	\$ 2,478,112
Less: Net LT general obligation indebtedness for metropolitan functions	(1,079,114)
LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 1,398,998</u>
Debt limit of LT general obligations for general county purposes and metropolitan functions - 1.5 % of assessed value	\$ 4,956,225
Less: Net LT general obligation indebtedness for general county purposes	(963,289)
Net LT general obligation indebtedness for metropolitan functions	(1,079,114)
Net total LT general obligation indebtedness for general county purposes and metropolitan functions	(2,042,403)
LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	<u>\$ 2,913,822</u>
Debt limit of total general obligations for metropolitan functions	
2.5 % of assessed value	\$ 8,260,375
Less: Net total general obligation indebtedness for metropolitan functions	(1,079,114)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 7,181,261</u>
Debt limit of total general obligations for general county purposes	
2.5 % of assessed value	\$ 8,260,375
Less: Net unlimited tax general obligation indebtedness	
for general county purposes	(175,952)
Net LT general obligation indebtedness for general county purposes	(963,289)
Net total general obligation indebtedness for general county purposes	(1,139,241)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	<u>\$ 7,121,134</u>

Refunding and Defeasing General Obligation Bond Issues – 2010

Limited Tax General Obligation Refunding Bonds, 2010A – On October 18, 2010, the County issued \$16.8 million in limited tax general obligation bonds, 2010 Series A with an effective interest cost of 2.02 percent to advance refund \$17.4 million of outstanding limited tax general obligation refunding bonds, 2001 various purpose with an effective interest cost of 4.9 percent. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1.2 million. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2021, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$2.6 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$2.1 million.

Limited Tax General Obligation Refunding Bonds, 2010A – Also on October 18, 2010, the County issued \$9.8 million in limited tax general obligation bonds, 2010 Series A with an effective interest cost of 1.37 percent to advance refund \$10.2 million of outstanding limited tax general obligation refunding bonds, 2002 various purpose with an effective interest cost of 1.37 percent. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1.1 million. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2021, using the outstanding principal balance method. This advance refunding was undertaken to reduce

total debt service payments by \$770 thousand over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$668 thousand.

Unlimited Tax General Obligation Refunding Bonds, 2010A – Also on October 18, 2010, the County issued \$16.3 million in unlimited tax general obligation bonds, 2010 Series A with an effective interest cost of 0.8 percent to advance refund \$17 million of outstanding unlimited tax general obligation refunding bonds, 2001 Kingdome Bonds with an effective interest cost of 5.42 percent. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$454 thousand. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2016, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$2.0 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$1.9 million.

Unlimited Tax General Obligation Refunding Bonds, 2010A – Also on October 18, 2010, the County issued \$3.5 million in unlimited tax general obligation bonds, 2010 Series A with an effective interest cost of 0.55 percent to advance refund \$3.6 million of outstanding unlimited tax general obligation refunding bonds, 2000 with an effective interest cost of 5.25 percent. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$93 thousand. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2016, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$194 thousand over the

life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$197 thousand.

Partial Defeasances of Limited Tax General Obligation (Baseball Stadium) Refunding Bonds, 2010 – On September 7, 2010, the County completed defeasance of limited tax general obligation (Baseball Stadium) refunding bonds, 2002 for \$13.8 million using the excess proceeds from special taxes and revenues. The reacquisition price exceeded the net carrying amount of the old debt by \$1.2 million. This amount, reported in the statement of net assets as a reduction in bonds payable, was charged to operations during 2010, using the outstanding principal balance method. The transaction resulted in an economic gain of \$36 thousand for the year.

Limited Tax General Obligation (Sewer Revenue) Refunding Bonds, 2010 – On July 19, 2010, the County issued \$34.4 million in limited tax general obligation (Sewer Revenue) bonds, 2010 with an effective interest cost of 2.56 percent to advance partial refund \$36.3 million of outstanding limited tax general obligation (Sewer Revenue) bonds, 2001 with an effective interest cost of 5.13 percent. The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the

business-type activities column of the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$2.6 million. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2023, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$4.0 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$3.1 million.

Refunded Bonds

King County has twelve outstanding refunded and defeased bond issues consisting of limited tax general obligation bonds (\$67.2 million), unlimited tax general obligation bonds (\$21.3 million) and sewer revenue bonds (\$41.3 million) that were originally reported in the Primary Government's statement of net assets. The payments of principal and interest on these bond issues are the responsibility of the escrow agent, U.S. Bank of Washington, and the liability for the defeased bonds has been removed from the statement of net assets.

Note 15**Interfund Balances and Transfers****Interfund Balances**

Due from/to other funds and interfund short-term loans receivable and payable (in thousands):

Fund types with account balances of less than \$500 thousand are aggregated into "All Others."

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 5,730
	Nonmajor Enterprise Funds	2,833
	All Others	1,225
Public Health Fund	Nonmajor Governmental Funds	879
	All Others	292
Nonmajor Governmental Funds	General Fund	2,218
	Nonmajor Governmental Funds	18,031
	Public Transportation Enterprise	522
	Nonmajor Enterprise Funds	972
	Internal Service Funds	646
	All Others	479
	Public Health Fund	2,289
Public Transportation Enterprise	Nonmajor Governmental Funds	18,547
	Water Quality Enterprise	96,313
	All Others	302
	General Fund	2,192
Water Quality Enterprise	Nonmajor Governmental Funds	3,342
	All Others	311
	General Fund	2,109
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	2,109
	All Others	249
Internal Service Funds	Nonmajor Governmental Funds	1,410
	Water Quality Enterprise	1,556
	All Others	1,223
Total		<u>\$ 163,670</u>

The interfund balances resulted from the time lag between the dates: (1) when interfund goods and services were provided or reimbursable expenditures incurred, and when interfund payments were made; and (2) when interfund short-term loans were made and when the loans were repaid. \$4,731 thousand due from Nonmajor Governmental Funds to the General Fund, \$2,289 thousand due

from the Public Health Fund to the Public Transportation Enterprise, \$17,516 thousand due from Nonmajor Governmental Funds to the Public Transportation Enterprise, and \$96,313 thousand due from the Water Quality Enterprise to the Public Transportation Enterprise were short-term loans made for the purpose of cash flow.

Advances from/to other funds (in thousands)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Public Transportation Enterprise	\$ 3,500
	Nonmajor Governmental Funds	300
Nonmajor Governmental Funds	Nonmajor Governmental Funds	407
Total		<u>\$ 4,207</u>

All three of these advances consisted of loans made for the purpose of cash flow. None of the advances is scheduled to be repaid in 2011.

Interfund Transfers (in thousands)

Fund types with account balances of less than \$500 thousand are aggregated into "All Others."

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Public Health Fund	\$ 26,667
	Nonmajor Governmental Funds	14,757
	Nonmajor Enterprise Funds	541
	Internal Service Funds	900
Public Health Fund	All Others	96
Nonmajor Governmental Funds	Nonmajor Governmental Funds	96,318
	All Others	494
Public Transportation Enterprise	All Others	10
Water Quality Enterprise	General Fund	521
	All Others	111
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	1,542
	All Others	23
Internal Service Funds	Nonmajor Governmental Funds	2,079
	All Others	138
Total transfers out		<u>\$ 144,197</u>

Transfers are used to move resources from a fund collecting them to the fund using them, as required by statute or budget, and to account for ongoing operating subsidies between funds in accordance with budget authorizations.

Note 16**Related Party Transactions**

Harborview Medical Center (HMC), a discretely presented component unit of King County, makes monthly rental payments to the County for use of the Patricia Steel Memorial Building and the Ninth & Jefferson Building. Rent is paid to two non-profit corporations which are reported under a blended component unit of the County – the building development and management corporations fund. The County is contractually obligated for the debt service on the lease revenue bonds issued by the nonprofits which funded construction of the buildings. HMC has agreed to include the annual rental payments in their operating budget for as long as they use the buildings. In 2010, the primary government, through the building development and management corporations fund, received \$12.7 million from HMC for rent on the two buildings.

The Cultural Development Authority (CDA), a discretely presented component unit of King

County, annually receives funding from various County funds under the One Percent for Art program. Revenues are used to support activities related to the development and maintenance of County public art. In 2010, the King County primary government transferred \$418 thousand to the CDA. The CDA spent \$1.9 million of prior year funds on art projects for which the County recorded a corresponding receivable and work-in-progress.

The Public Transportation Enterprise (Transit) has a ground lease agreement as lessor with the King County Housing Authority (KCHA), a related organization to the County, for the development of affordable housing units and a parking garage in the City of Redmond. The lease provides for a set-aside of a minimum of 150 parking stalls for use by park-and-ride commuters. The lease term is 50 years with an option to extend by an additional 25 years. Transit recorded revenues related to the lease of \$36.9 thousand in 2010. Transit also provided loans to KCHA for which \$815.3 thousand was outstanding at year-end.

Note 17**Restrictions, Reserves, Designations,
and Changes in Equity****Net Assets**

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are classified into three categories:

Invested in capital assets, net of related debt – Consists of capital assets net of accumulated

depreciation and reduced by outstanding balances of bonds, notes and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets – Results when constraints are placed on net asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net assets – Consists of net assets that do not meet the definition of the two preceding categories.

Restricted Net Assets - Business-type Activities (in thousands)

Public Transportation Enterprise restricted for future construction projects (\$10,068), debt service (\$11,473) and other purposes (\$3,388).	\$ 24,929
Water Quality Enterprise restricted for debt service (\$204,126) and regulatory assets and environmental liabilities (\$30,302).	<u>234,428</u>
Total Business-type Restricted Net Assets	<u><u>\$ 259,357</u></u>

Restricted Net Assets - Internal Service Funds (in thousands)

Building Development & Management Corporations Fund restricted for future construction projects (\$218) and debt service (\$11,770).	<u><u>\$ 11,988</u></u>
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Reserves and Designations

King County records two general types of reserves. One type indicates that a portion of the fund balance is legally segregated for a specific future use; the other type indicates that a portion of the

fund balance is not available for appropriation. Designated fund balances, on the other hand, represent tentative plans (including those plans prescribed by local ordinance) for future use of financial resources.

Reserves and designations used by King County, followed by a description of each (in thousands):

	General Fund	Public Health Fund	Special Revenue	Nonmajor Debt Service	Capital Projects
Reserved for:					
Inventory	\$ -	\$ 1,223	\$ -	\$ -	\$ -
Prepayments	-	-	5,997	-	2,073
Encumbrances	3,274	318	9,107	-	48,150
Advances to other funds	3,800	-	407	-	-
Animal services	-	-	209	-	-
Crime victim compensation program	51	-	-	-	-
Criminal justice	3,570	-	-	-	-
Debt service	-	-	389	-	-
Drug enforcement program	2,756	-	-	-	-
Antiprofitteering program	95	-	-	-	-
Dispute resolution centers	157	-	-	-	-
Inmate welfare	2,904	-	-	-	-
Real property title assurance	25	-	-	-	-
Training and equipment for Medic One	-	17	-	-	-
Youth sports facilities grant endowment	-	-	2,620	-	-
PFD stadium bond debt service	-	-	-	23,844	-
Traffic mitigation	-	-	-	-	437
Total reserved fund balances	<u>\$ 16,632</u>	<u>\$ 1,558</u>	<u>\$ 18,729</u>	<u>\$ 23,844</u>	<u>\$ 50,660</u>

Reserved for inventory – Segregates a portion of fund balance in the amount of the inventory of supplies carried as an asset; represents resources not available or spendable for the fund's current operations.

Reserved for prepayments – Segregates a portion of fund balance equal to the asset prepayments; does not represent available, spendable resources for the fund's current operations.

Reserved for encumbrances – Segregates a portion of fund balance for commitments made for goods or

services not delivered or completed as of year-end. The budget for these commitments will be reestablished in the new year without reappropriation.

Reserved for advances to other funds – Segregates a portion of fund balance for advances to other funds (the noncurrent portion of interfund loans receivable) to indicate that they do not constitute available financial resources and are not available for appropriation.

Reserved for animal services – Segregates a portion of fund balance to indicate resources reserved for the purpose of funding the animal services program.

Reserved for crime victim compensation program – Segregates a portion of fund balance to indicate resources legally restricted to the crime victim compensation program under chapter 7.68 RCW.

Reserved for criminal justice – Segregates a portion of fund balance to indicate resources to be used exclusively for criminal justice purposes under RCW 82.14.340.

Reserved for debt service – Segregates a portion of fund balance to indicate resources to be used solely for the payment of debt service.

Reserved for drug enforcement program – Segregates a portion of fund balance to indicate resources legally restricted solely for the purpose of enhancing enforcement of the Uniform Controlled Substances Act, chapter 69.50 RCW, or other laws regulating controlled substances, including training, equipment, and operational expenses.

Reserved for antiprofitteering program – Segregates a portion of fund balance to indicate resources legally restricted for the purposes of the investigation and prosecution of any offense included in the definition of criminal profiteering set forth in chapter 9A.82 RCW.

Reserved for dispute resolution centers – Segregates a portion of fund balance to indicate resources legally restricted for the purpose of funding dispute resolution centers (RCW 7.75.035).

Reserved for inmate welfare – Segregates a portion of fund balance to indicate resources reserved for the purpose of the welfare of inmates held by the Department of Adult and Juvenile Detention.

Reserved for real property title assurance – Segregates a portion of fund balance to indicate resources legally restricted for the payment of damages to any person sustaining loss or damage, through any omission, mistake, or misfeasance of the registrar of titles, or of any examiner of titles, or of any deputy, or by the mistake or misfeasance of the clerk of the court, or any deputy, in the performance of their respective duties under the provisions of chapter 65.12 RCW Registration of Land Titles (Torrens Act).

Reserved for training and equipment for Medic One – Segregates a portion of fund balance to indicate donations from individuals to Medic One reserved for equipment purchases and training for paramedics and medical services officers.

Reserved for youth sports facilities grant endowment – Segregates a portion of fund balance pending a decision to establish a separate Permanent Fund for an endowment.

Reserved for PFD stadium bond debt service – Segregates revenues collected by the County that are earmarked for future debt service payments on the tax exempt Baseball Stadium bond issues.

Reserved for traffic mitigation – Segregates a portion of fund balance related to the mitigation payment system revenues to indicate resources reserved for funding growth-related traffic mitigation projects (King County Code 14.75.030).

Designated Fund Balances (in thousands):

	<u>General Fund</u>	<u>Nonmajor Special Revenue</u>
Designated for:		
Capital projects	\$ 3,509	\$ 793
DDES	-	6,600
EMS	-	15,956
Equipment replacement	-	4,888
Mental health	-	27,573
SIP project commitments	-	7,481
Revenue stabilization	-	3,000
Reappropriation	492	4,745
Total designated fund balances	<u>\$ 4,001</u>	<u>\$ 71,036</u>

Designated for capital projects – Identifies a portion of fund balance equal to the budget for capital projects not expended and expected to be reappropriated for the coming year. The projects may be changed in scope by the County Council in their budget deliberations.

Designated for DDES – Revenues designated for permit fee supported areas of DDES in the following categories: 1) reserve for staff reductions; 2) revenue shortfall reserve (amount to cover a 15 percent fee revenue shortfall for three months at the budgeted level for fee revenue); and 3) reserve for fee waivers and other unanticipated costs.

Designated for EMS – Sets aside funds to cover replacement of equipment for King County Medic One; outstanding retirement liabilities for moving paramedics from the PERS to LEOFF system, unanticipated costs including costs related to vehicles, risk/liability, diesel, pharmaceuticals, medical equipment, and call volumes; potential reduction to millage requirements for the next levy; and program and provider balances to cover unanticipated or extra anticipated future costs.

Designated for equipment replacement – Identifies a portion of fund balance that has been designated for the replacement of equipment.

Designated for mental health – Identifies revenues that are designated according to the King County Regional Support Network's (KCRSN) contract with the State Mental Health Division. These funds are

used to cover inpatient adjustments, outpatient tier benefits, and closeout expenditures in case the KCRSN becomes insolvent. The KCRSN is funded primarily by capitated payments from the State based on the number of Medicaid recipients in King County. These revenues support services for people with mental illness in King County.

Designated for SIP project commitments – Identifies funds used to cover planned Veterans and Human Services Levy (VHSL) Service Improvement Plan (SIP) project commitments. The voters of King County approved the 2005 VHSL requiring the expansion of services related to veterans and their families, and other low-income people in need for the six years from 2006 through 2011. The County Council has adopted a Levy SIP which laid out the goals and objectives, as well as the general activities to be funded, with the levy dollars.

Designated for revenue stabilization – According to the Mental Illness and Drug Dependency (MIDD) Action Plan, funds will be designated from MIDD sales tax revenue to stabilize mental illness and drug dependency services in the event that sales tax revenue falls short of forecast. \$3 million is designated in 2010, \$4 million in 2011, and 10% of annual MIDD revenues are to be designated every year thereafter.

Designated for reappropriation – Used at year-end for lapsed appropriations for which special requests have been made to obtain reappropriation in the coming year.

Management Plans for Internal Service Fund Unrestricted Net Assets

Insurance Fund – \$12.4 million for catastrophic losses. The catastrophic loss reserve will be used to

respond to large, nonrecurring losses exceeding \$1 million per incident.

Restatements of Beginning Balances

Detailed information regarding restatements of beginning balances (in thousands):

	Governmental Activities	Component Units	Cultural Development Authority
Net Assets - December 31, 2009	\$ 2,049,496	\$ 1,087,116	\$ 38,567
Prior year adjustments to construction work in progress	38,462	-	-
Revenue recognition correction	-	(131)	(131)
Net Assets - January 1, 2010 (Restated)	<u>\$ 2,087,958</u>	<u>\$ 1,086,985</u>	<u>\$ 38,436</u>

Governmental Activities – The beginning balance of construction work in progress for governmental capital assets was restated to include \$38.5 million of construction work in progress of prior periods.

Cultural Development Authority – The adjustment for \$131 thousand was to reduce the beginning 2010 net assets for grant revenue recognized in 2009. The Cultural Development Authority recorded this income in 2010.

Component Unit – Harborview Medical Center (HMC)**Restricted Net Assets**

Restricted expendable net assets – The \$20.9 million consists of investments restricted either for capital use or by donor. Access to investments restricted for capital use is restricted by King County for designated capital projects. Investments restricted by donor represent assets that are restricted by creditors, grantors, or contributors external to the HMC.

Restricted nonexpendable net assets – The \$2.5 million consists of permanent endowments by donors.

Component Unit – Cultural Development Authority of King County (CDA)**Restricted Net Assets**

Restricted expendable net assets – \$17.7 million is restricted by RCW 67.28.180.3 and King County ordinance for use for arts and heritage cultural program awards according to a specified formula.

Restricted nonexpendable net assets – \$26.4 million is a long-term endowment funded from a portion of the hotel/motel tax pursuant to RCW 67.28.180.3(e) to finance future arts and heritage cultural programs.

Note 18**Legal Matters, Contingent Liabilities, and Other Commitments****Pending Litigation and Other Claims**

There is no litigation or claim currently pending against King County in which to our knowledge the likelihood of an unfavorable outcome with material damages assessed against the County is considered “probable.”

The following litigation, or potential litigation, may involve claims for material damages against King County for which the County is unable to provide an opinion as to the ultimate outcome or the amount of damages that may be found:

- A pending lawsuit filed by two sewer districts who allege that certain expenditures of the King County Wastewater Treatment Division (WTD) constitute a breach of contract and a violation of the King County Charter and a local government accounting statute. During litigation, various claims were dismissed by the court by summary judgment. In March 2011 a ruling came down in favor of the County with one issue left unresolved. Although still in dispute, the remaining claim is expected to be approximately \$2 million. Plaintiffs have indicated their intention to appeal the court’s rulings.
- An administrative order from the Environmental Protection Agency (EPA) that requires the County, the City of Seattle, the Boeing Company, and the Port of Seattle to conduct a feasibility study to determine the nature and extent of the contamination in the Lower Duwamish Waterway. The final draft of the report and public comments are being reviewed by the EPA. Due to the high level of regulatory review, the County is unable to determine the particular remediation alternative, the schedule and cost of any required remediation, or the extent of County responsibility.
- A potential requirement for more cleanup in the area contaminated when the Denny Way combined sewer outflow was replaced in 2005. The WTD has already performed interim cleanup costing \$3.6 million to comply with a formal agreement with the Washington State Department of Ecology, which reserves its rights to require additional remediation.
- Potential claims for past and future cleanup costs at the Harbor Island Superfund Site. Certain removal costs already incurred by the Port of Seattle are expected to be defrayed by the County and the City of Seattle. The parties have also agreed to share the cost of a supplemental investigation and feasibility study required by the EPA. The agreement states that the WTD has a one-third share of the costs of the study, and that this portion may potentially be allocated among the several potentially responsible parties. Further remediation costs cannot be reasonably estimated until the study is completed.
- King County and two co-defendants in a property damage lawsuit won summary judgments of dismissal in August 2010 for all claims against them. In December 2010 a verdict was handed down against another co-defendant, the State of Washington, amounting to \$447 thousand for the plaintiff, with a hearing for the remaining specific performance claim scheduled for June 2011. Once this remaining claim is settled, the County will be entitled to entry of judgment based on the earlier summary dismissal action.
- In March, 2011, a contractor initiated a suit against the County related to its outstanding claim at the end of 2010 in the amount of \$3.7 million for the Juanita Bay Pump Station Replacement project alleging defective specifications. The County has issued counterclaims for defective work and breach of contract and is defending against all claims, pursuing damages, and negotiating insurance recoveries.
- A series of requests for change orders and claims for damages from the prime contractor for the Brightwater Treatment Plant central conveyance system alleging differing site conditions and defective specifications. The County is vigorously defending against the claims and has filed suit alleging contract default by the contractor for failure to complete the contract work within time limits. The contractor is asserting damages of approximately \$75 million. The County has updated its estimated damages amount to

\$132 million.

- A claim by a vendor for additional compensation of approximately \$427 thousand to cover unexpected tariff increases on imported construction materials. The dispute is being handled through contract administration.
- A class action lawsuit filed in King County Superior Court against two counties and two conservation districts alleging that special assessments imposed by the counties on behalf of the conservation districts are illegal charges, their collection should be prohibited, and the funds previously collected should be returned to the class members, which are made up of owners of property within the two conservation districts. Pending before the Court are a motion on class certification and a motion to amend the complaint. The parties are awaiting a ruling. The potential exposure for the King County defendants, including the King Conservation District, range from \$0 to \$24 million, depending in part upon the applicable statute of limitations.
- A Public Defender sued the County alleging that he should have been enrolled in the State retirement system. The Pierce County Superior Court (Court) has certified a class of approximately 400 attorneys and staff who worked for four nonprofit public defender organizations under contract with the County within three years prior to filing the complaint (since January 24, 2003). The County has vigorously defended the action, denying liability and damages. On February 9, 2009, the Court issued a written opinion stating that “the Plaintiff and the class he represents should be enrolled in the PERS Retirement System.” On April 19, 2009, the Court certified that its February 9, 2009, written decision involved “a controlling issue of law as to which there is substantial ground for a difference of opinion” and indicated that “immediate review by an appellate court” would assist the Court in resolving the litigation. The Court also stayed further action in the matter in the Superior Court. The County filed a motion for discretionary review with the State Supreme Court on May 8, 2009. The State Supreme Court granted the County’s motion for discretionary review and the parties have submitted their briefing to the Court. Oral argument was heard

on October 28, 2010.

- An individual, on behalf of a class of individuals, sued the County seeking increased PERS contributions based on the settlement proceeds from the *Duncan/Roberts v. King County* litigation. The plaintiff successfully argued in Superior Court that settlement proceeds were compensation earnable and should have been reported to the State Department of Retirement Systems (DRS). The Court also ruled that DRS could not collect additional PERS contributions from the County or from class members if the class members’ retirement benefit was not increased or decreased because of the error. The matter has been briefed and argued at the Court of Appeals.
- A proposed class of Department of Transportation crew chiefs sued the County alleging that the County failed to pay them for all hours they worked. Plaintiff asserts double damages for unpaid wages and attorney fees.

Contingent Liability

King County has entered into several contingent loan agreements with the King County Housing Authority (KCHA) and other owners/developers of affordable housing; these agreements total \$172.6 million at the end of 2010. The County has provided credit support for certain bonds issued by the KCHA. All projects are currently self-supporting and the County has not made any loans pursuant to these agreements.

Other Commitments

The Solid Waste Enterprise paid the County General Fund \$8.4 million for rent on the Cedar Hills landfill site in 2010. The Enterprise is committed to paying rent to the General Fund as long as the Cedar Hills site continues to accept waste.

Component Unit – Harborview Medical Center

Harborview Medical Center (HMC) is involved in litigation arising in the course of business. It is HMC management’s opinion that these matters will be resolved without material adverse effect to HMC’s future financial position or results of operations.

Note 19**Subsequent Events****Debt Issuances in 2011**

In January 2011 the County issued \$175 million of Sewer Revenue Bonds. The proceeds from these bonds will be used to finance capital construction and improvements to the sewer system of the County.

In February 2011 the County issued Limited Tax General Obligation Bond Anticipation Notes in the amount of \$40.0 million. The proceeds from these notes will provide interim financing for the County's Capital Improvement Program for the Solid Waste facilities.

In June 2011 the County issued Limited Tax General Obligation Bond Anticipation Notes in the amount of \$82.3 million. The proceeds of these Notes will provide a portion of the interim financing for an upgrade of the County's budget, finance, human resources, payroll, and employee benefits computer systems.

Required Supplementary Information

Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach

Roads

The County performs condition assessments on its network of roads through the King County Pavement Management System. This system generates a Pavement Condition Index (PCI) for each segment of arterial and local access road in the network. The PCI is a numerical index from zero to one hundred (0-100) that represents the pave-

ment's functional condition based on the quantity, severity, and type of visual distress, such as pavement cracking. Based on the PCI score, condition ratings are assigned as follows: a PCI of less than 30 is defined as "poor to substandard" (heavy pavement cracking and potholes); a PCI of 30 or more but less than 50 is defined to be in "fair" condition (noticeable cracks and/or utility cuts); and a PCI of between 50 and higher is defined to be in "excellent to good" condition (relatively smooth roadway). Condition assessments are undertaken every three years.

The most recent condition assessments of the County's roads are shown below.

Condition ratings	2010-2008		2007-2005		2004-2002	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
Excellent to good	348.2	71.8	485.4	89.6	442.9	81.7
Fair	20.3	4.2	14.5	2.7	61.1	11.3
Poor to substandard	116.7	24.0	41.6	7.7	38.0	7.0
Total	<u>485.2</u>	<u>100.0</u>	<u>541.5</u>	<u>100.0</u>	<u>542.0</u>	<u>100.0</u>
Local access roads						
Excellent to good	867.0	75.6	1,094.5	83.4	1,075.4	81.6
Fair	74.2	6.5	127.3	9.7	139.0	10.6
Poor to substandard	205.8	17.9	91.2	6.9	102.9	7.8
Total	<u>1,147.0</u>	<u>100.0</u>	<u>1,313.0</u>	<u>100.0</u>	<u>1,317.3</u>	<u>100.0</u>

The following table (derived from the table of condition ratings) shows the number and percentage of miles of roads that meet the 40 PCI level.

PCI score interval	2010-2008		2007-2005		2004-2002	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
PCI 40 - 100	360.0	74.2	493.4	91.1	475.6	87.7
PCI 0 - 39	125.3	25.8	48.1	8.9	66.4	12.3
Total	<u>485.3</u>	<u>100.0</u>	<u>541.5</u>	<u>100.0</u>	<u>542.0</u>	<u>100.0</u>
Local access roads						
PCI 40 - 100	900.0	78.5	1,170.3	89.1	1,165.6	88.5
PCI 0 - 39	247.0	21.5	142.7	10.9	151.7	11.5
Total	<u>1,147.0</u>	<u>100.0</u>	<u>1,313.0</u>	<u>100.0</u>	<u>1,317.3</u>	<u>100.0</u>

It is the policy of the King County Roads Services Division to maintain at least 80 percent of the road system at a PCI of 40 or better. The 2010 Condition Assessment indicates the arterial and local access road networks have fallen below the 80/40 threshold for Modified Approach. The accelerated condition deterioration observed between the 2009 and 2010 reports are primarily the result of weather and system age. The extreme ranges of weather experienced between 2007 and 2011 have resulted in a higher than normal amount of asphalt cracking caused by the freezing and thawing of a rain-saturated road base. Many of the arterial roadways are beyond their cost effective life cycles, resulting in roadway deterioration earlier than what was estimated or budgeted.

The County Roads Division's current budget conditions do not allow for additional funds to increase the number of miles overlaid, thereby

increasing PCI scores. Bringing road system scores into compliance with GASB Modified Method Roads will reduce the number of Hot Mix Asphalt (HMA) miles resurfaced and increase the number of miles resurfaced with Bituminous Surface Treatment (Chip Seal) at a lower unit cost and reduced life cycle. Roads will also investigate a short section paving program that will only resurface road segments with PCI less than 40. While this methodology is not cost effective, it will most immediately correct the PCI deficiencies.

Below is information on planned (budgeted) and actual expenditures incurred to maintain and preserve the road network at or above the minimum acceptable condition level from 2006 to 2010. The budgeted amount is equivalent to the anticipated amount needed to maintain roads up to the required condition level (in thousands).

	2010	2009	2008	2007	2006
Budgeted	\$78,843	\$64,660	\$69,345	\$61,864	\$58,709
Expended	52,967	58,488	57,367	51,549	49,029
amounts for 2007-2009 restated					

Underspending of budgeted amounts usually results when roads are removed from the project list because of conflicts with anticipated utility work; lowering of priority due to cost efficiency considerations, such as when only a few roads are to be resurfaced in remote locations; and weather-related work reduction or stoppages.

Bridges

King County currently maintains 180 bridges. Physical inspections to determine the condition of bridges and the degree of wear and deterioration are carried out at least every two years. Inspections reveal deficiencies in bridges such as steel corrosion, damaged guardrails, rotted timbers, deteriorated bridge decks, bank erosion, and cracked concrete. These are documented in an inspection report along with recommended repairs. Four pedestrian bridges are included in the list of bridges being maintained by the County. These are also subject to condition assessments, but are subject to different standards than the more heavily used vehicular bridges.

Each year the County undergoes a bridge prioritization process to determine potential

candidates for replacement or rehabilitation. A weighted 10-point priority scale (sufficiency rating, seismic rating, geometrics, hydraulics, load limits, traffic safety, serviceability, importance, useful life, and structural concern) ranks the bridges in order; the results are considered in the planning and programming of major bridge studies and construction projects in the Roads Capital Improvement Program.

A key element in the priority score is the sufficiency rating, the measure considered by state and federal governments as the basis for establishing eligibility and priority for bridge replacement or rehabilitation funding. The sufficiency rating is a numerical rating of a bridge based on its structural adequacy and safety, essentiality for public use, and its serviceability and functional obsolescence. The formula used to calculate the sufficiency rating for a particular bridge is dictated by the Federal Highway Administration. The sufficiency rating may vary from 100 (a bridge in new condition) to 0 (a bridge incapable of carrying traffic). A sufficiency rating of 50 or over indicates a bridge with a good deal of service life remaining. A bridge that scores between 0 and 49 could be considered for replacement or rehabilitation funding, though typically

only bridges that score less than 30 are selected for funding.

The three most recent bridge sufficiency ratings:

Bridge Sufficiency Rating	Number of Bridges		
	2010	2009	2008
0 - 20	6	8	8
21 - 30	1	2	2
31 - 49	13	12	14
50 - 100	160	160	159
Totals	180	182	183

It is the policy of the King County Road Services Division to maintain bridges in such a manner that no more than 12 will have a sufficiency rating of 20 or less. A rating of 20 or less is usually indicative of

a bridge with a structural deficiency. The most common remedy is full replacement or rehabilitation of the bridge.

Amounts budgeted and spent to maintain and preserve bridges (in thousands):

	2010	2009	2008	2007	2006
Budgeted	\$19,866	\$13,465	\$18,855	\$24,834	\$17,024
Expended	9,760	10,625	11,761	16,189	11,526
amounts for 2007-2009 restated					

The budgeted amount is equivalent to the anticipated amount needed to maintain and preserve the bridges up to the required condition level. Backlogs in maintenance work orders greatly affect the trend in maintenance costs. Factors

contributing to these backlogs include increased bridge traffic, higher weight loads, labor shortages, stringent environmental restrictions, and an aging inventory.

Postemployment Health Care Plan

Schedule of Funding Progress for the Plan (in thousands)

Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) ÷ c)
2008	12/31/2008	\$ -	\$ 145,393	\$ 145,393	0.0%	\$ 890,310	16.3%
2009	12/31/2009	\$ -	\$ 149,390	\$ 149,390	0.0%	\$ 947,530	15.8%
2010	12/31/2009	\$ -	\$ 149,390	\$ 149,390	0.0%	\$ 969,082	15.4%

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Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>DEPARTMENT OF AGRICULTURE</u>				
<u>School Breakfast Program</u>				
<i>Indirect Assistance through Washington State Office of Superintendent of Public Instruction</i>				
School Breakfast Program	10.553	17-001-6860	58,282	
			Program Total	58,282
<u>National School Lunch Program</u>				
<i>Indirect Assistance through Washington State Office of Superintendent of Public Instruction</i>				
School Lunch Program	10.555	17-001-6860	113,135	
			Program Total	113,135
<u>Special Supplemental Nutrition Program For Women, Infants and Children</u>				
<i>Indirect Assistance through Washington State Department of Health</i>				
CC-FED WIC LOCAL REIMBURSEMENT	10.557	C14961	7,320,528	
FED-WIC BREAST FEEDING PEER CNSLG	10.557	C14961	62,669	
FED-WIC BREAST FEEDING	10.557	C14961	86,785	
FED-WIC	10.557	75211200	62,957	
ARRA - WIC Partnership	10.557	75211200	2,350	(5)
			Program Total	7,535,289
<u>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</u>				
<i>Direct Assistance</i>				
Basic Food Nutrition Education	10.561	C14961	632,426	
			Direct Assistance	632,426
<i>Indirect Assistance through Washington State Department of Health</i>				
Basic Food Educ/OUTREACH	10.561	0863-48523	129,820	
			Indirect Assistance	129,820
			Program Total	762,246
<u>Schools and Roads - Grants to States</u>				
<i>Title III</i>				
Federal Forest Schools and Roads	10.665	PL 106-393	91,317	
Federal Forest Schools and Roads	10.665	2010	725,367	
			Program Total	816,684
<u>Urban & Community Forestry Program</u>				

The accompanying Notes to the Schedule of Expenditures are an integral part of this schedule

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Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<i>Direct Assistance</i>				
Urban and Community Forestry Program	10.675	2009-DG-11062765-032	29,121	
Climate Preparedness and Response	10.675	PNW 10-DG-11261985-098	275	
Program Total			29,396	
<i>Indirect Assistance through Washington State Department of Health</i>				
FED-WIC/FARMERS MARKET	10.572	C14961	7,556	
Program Total			7,556	
Agency Total			9,322,588	
<u>DEPARTMENT OF COMMERCE</u>				
<u>Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program</u>				
<i>Indirect Assistance through WA State RCO</i>				
Lead Entity WRIA 8 King County	11.438	09-1546N	80,961	
Lead Entity WRIA 9 King County	11.438	09-1547P	39,181	
Camp Gilead Reconnection - Construction	11.438	07-1643 R	4,860	
Ellis Creek Estuary Restoration & Acquisition	11.438	06-2250 R	37,721	
Wallace Restoration	11.438	08-1241	4,081	
Snoqualmie at Fall City	11.438	09-1281	77,078	
Salmon Federal Projects	11.438	08-1564A	105,503	
Salmon Federal Projects	11.438	08-2009 N	8,735	
Lower Newaukum Restoration	11.438	04-1338 R	45,631	
Green River Restoration - Pautzke	11.438	08-2093	3,795	
Lower Boise Creek - Construction	11.438	05-1466 R	290,061	
Lower Cedar	11.438	08-1918 A	14,132	
Program Total			711,739	
<u>DHS - Public Safety Interoperable Communications Grant Program</u>				
<i>Indirect Assistance thru WA State Military Dept</i>				
South Loop Microwave Project	11.555	2007-GS-H7-0003	135,297	
Program Total			135,297	
Agency Total			847,036	

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Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<u>Community Development Block Grants</u> <u>/Entitlement Grants</u>				
<i>Direct Assistance</i>				
US Dept of HUD - CDBG	14.218	B-02-UC-53-0001	61	(3)
US Dept of HUD - CDBG	14.218	B-05-UC-53-0001	42,811	(3)
US Dept of HUD - CDBG	14.218	B-07-UC-53-0001	27	(3)
US Dept of HUD - CDBG	14.218	B-08-UC-53-0001	778,597	(3)
US Dept of HUD - CDBG	14.218	B-09-UC-53-0001	729,426	(3)
US Dept of HUD - CDBG	14.218	B-09-UC-53-0001	56	(3)
US Dept of HUD - CDBG	14.218	B-09-UC-53-0001	118	(3)
US Dept of HUD - CDBG	14.218	B-10-UC-53-0001	3,511,302	(3)
US Dept of HUD - CDBG	14.218	B-10-UC-53-0001	990,588	(3)
US Dept of HUD - CDBG	14.218	B-10-UC-53-0001	339,774	(3)
Program Total			6,392,760	
<u>Emergency Shelter Grants Program</u>				
<i>Direct Assistance</i>				
US Dept of HUD - ESG	14.231	S-10-UC-53-0002	198,895	(3)
Program Total			198,895	
<u>Supportive Housing Program</u>				
<i>Direct Assistance</i>				
Supportive Housing Program	14.235	WA0055B0T000801	468,425	
Supportive Housing Program	14.235	WA0055B0T000802	156,141	
McKinney - Safe Harbors C5	14.235	WA0050B0T000801	99,205	(3)
McKinney - Vietnam Veterans Leadership Program 9	14.235	WA0064B0T000801	59,930	(3)
McKinney - Vietnam Veterans Leadership Program 10	14.235	WA0064B0T000802	4,502	(3)
McKinney - Hopelink 7	14.235	WA01B700015	571	(3)
McKinney - Hopelink 8	14.235	WA0030B0T000801	52,728	(3)
McKinney - Hopelink	14.235	WA0030B0T000802	89,222	(3)
McKinney - Consejo Mi Casa	14.235	WA0041B0T000802	17,503	(3)
McKinney - Consejo 9	14.235	WA0041B0T000801	74,506	(3)
McKinney - Safe Harbors	14.235	WA0050B0T000802	75,198	(3)
McKinney - Safe Harbors A8	14.235	WA0049B0T000801	297,464	(3)
McKinney - Safe Harbors	14.235	WA0049B0T000802	12,647	(3)
McKinney - Valley Cities Landing	14.235	WA0001B0T000800	69,335	(3)
McKinney - Eastside Domestic Violence Program 9	14.235	WA0042B0T000801	78,430	(3)
McKinney - EDVP Friend's Place	14.235	WA0042B0T000802	177,184	(3)
McKinney - Eastside Domestic Violence Program 8	14.235	WA01B700022	310	(3)
Direct Assistance			1,733,301	
<i>Indirect Assistance through City of Seattle</i>				
HUD Supplemental Housing Grant	14.235	DA09-5537, DA09-5431, DA10-5431, DA10-5537	1,153,522	
Indirect Assistance			1,153,522	
Program Total			2,886,823	

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Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>Shelter Plus Care</u>				
<i>Direct Assistance</i>				
Shelter Plus Care	14.238	WA0033C0T000801	314,337	(3)
Shelter Plus Care	14.238	WA0034C0T000801	1,109,492	(3)
Shelter Plus Care	14.238	WA0033C0T000802	465,410	(3)
Shelter Plus Care	14.238	WA0034C0T000802	3,448,485	(3)
Shelter Plus Care	14.238	WA01C500001	46,383	(3)
Shelter Plus Care	14.238	WA01C500001	206,319	(3)
Shelter Plus Care	14.238	WA01C500001	1,968	(3)
Program Total			5,592,394	
<u>Home Investment Partnership Program</u>				
<i>Direct Assistance</i>				
HOME	14.239	M-07-DC-53-0200	237,031	
HOME	14.239	M-08-DC-53-0200	76,346	
HOME	14.239	M-08-DC-53-0200	16,207	
HOME	14.239	M-08-DC-53-0200	521,039	
HOME	14.239	M-08-DC-53-0200	55,977	
HOME	14.239	M-09-DC-53-0200	37,412	
HOME	14.239	M-09-DC-53-0200	1,013,785	
HOME	14.239	M-10-DC-53-0200	261,651	
HOME	14.239	M-10-DC-53-0200	6,542	
HOME	14.239	M-10-DC-53-0200	1,665,299	
HOME	14.239	M-10-DC-53-0200	114,586	
Program Total			4,005,875	
<u>Economic Development Initiative-Special Project</u>				
<u>Neighborhood Initiative</u>				
<u>and Miscellaneous Grants</u>				
<i>Direct Assistance</i>				
Neighborhood Initiative Project	14.251	B-08-NI-WA-0031	490,000	
Program Total			490,000	
<u>ARRA - Community Development Block Grant</u>				
<u>ARRA Entitlement Grants (CDBG-R)</u>				
<i>Direct Assistance</i>				
ARRA-CDBG-R	14.253	B-09-UY-53-0001	928,661	(3), (5)
Program Total			928,661	
<u>ARRA - Homelessness Prevention and Rapid</u>				
<u>Re-Housing Program - (Recovery Act Funded)</u>				
<i>Direct Assistance</i>				
ARRA-HPRP-Federal	14.257	S09-UY-53-0002	628,747	(3), (5)
Direct Assistance			628,747	

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<i>Indirect Assistance through Washington State Department of Commerce</i>				
ARRA-HPRP-State	14.257	10-46111-612	403,318	(3), (5)
			Indirect Assistance	403,318
			Program Total	1,032,065
 <u>Fair Housing Assistance Program</u> <u>State and Local</u>				
<i>Direct Assistance</i>				
HUD Fair Housing Assistance Program	14.401	FF-210-K-04-1005	900	
HUD Fair Housing Assistance Program	14.401	FF-210-K-05-1005	62,207	
HUD Fair Housing Assistance Program	14.401	FF-210-K-06-1005	7,259	
HUD Fair Housing Assistance Program	14.401	FF-210-K-09-1005	39	
HUD Fair Housing Assistance Program	14.401	FF-210-K-07-1005	625	
			Program Total	71,030
 <u>Healthy Homes Demonstration Grants</u>				
<i>Indirect Assistance through Housing Authority of King County</i>				
Asthma Demo - Highline School District	14.901	WALHH0186-08	163,733	
			Program Total	163,733
			Agency Total	21,762,236
 <u>DEPARTMENT OF THE INTERIOR</u> <u>Fish and Wildlife Management Assistance</u>				
<i>Direct Assistance from US Fish & Wildlife Service</i>				
Conservation of Lk. Sammamish Kokanee - Supplementation	15.608	13320-A-J043	22,409	
Conservation of Lk. Sammamish Kokanee - Pit Tagging	15.608	13410-8-J031	614	
			Direct Assistance	23,023
 <i>Indirect Assistance through National Fish and Wildlife Foundation</i>				
Green River Invasive Knotweed Control	15.608	2008-0053-025	15,202	
Cedar River Invasive Knotweed Control	15.608	2008-0053-022	29,845	
Miller and Walker Creeks Noxious Weed Control	15.608	2010-0057-003	2,392	
			Indirect Assistance	47,439
			Program Total	70,462

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<u>Partners for Fish and Wildlife</u>				
<i>Direct Assistance from US Fish & Wildlife Service</i>				
Partners for Fish and Wildlife Program	15.631	13410-8-J019	24,836	
Partners for Fish and Wildlife Program	15.631	13410-A-J016	21,034	
Partners for Fish and Wildlife Program	15.631	13410-9-J028	12,936	
Program Total			58,806	
<u>Historic Preservation Fund Grants-In-Aid</u>				
<i>Indirect Assistance through Washington State Dept of Archaeology and Historic Preservation</i>				
Historic Preservation Fund Grants in Aid	15.904	FY10-61020-001	10,002	
Historic Preservation Fund Grants in Aid	15.904	FY11-61011-012	2,296	
Program Total			12,298	
Agency Total			141,566	
<u>DEPARTMENT OF JUSTICE</u>				
<u>Juvenile Accountability Block Grants</u>				
<i>Indirect Assistance through Washington State Department of Social and Health Services</i>				
JRA - Juvenile Accountability Incentive Block Grant (JAIBG)	16.523	0663-98299	183,062	
Program Total			183,062	
<u>Enhanced Training and Services to End Violence and Abuse of Women Later in Life</u>				
<i>Direct Assistance</i>				
The Elder Abuse Training Project	16.528	2009-EW-AX-K010	98,861	
Program Total			98,861	
<u>Juvenile Justice and Delinquency Prevention - Allocation to States</u>				
<i>Indirect Assistance</i>				
Targeting Svcs to Reduce Status Offenders in Detn	16.540	I-300-00109	32,833	
Targeting Svcs to Reduce Status Offenders in Detn	16.540	I-300-00510	32,134	
Juvenile Detention Alternatives Initiative (JDAI)	16.540	I-100-00310	5,000	
Juvenile Detention Alternatives Initiative (JDAI)	16.540	I-100-00509	5,000	
Program Total			74,967	

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Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>Victims of Child Abuse</u>				
<i>Indirect Assistance through Washington State Administrative Office of the Courts</i>				
Urban High Needs - CASA	16.547	WA10609-09-1209-U2	49,359	
Program Total			49,359	
<u>National Institute of Justice Research</u>				
<u>Title V Delinquency Prevention Program</u>				
<i>Indirect Assistance through Washington DSHS</i>				
Parent to Parent Expansion	16.548	I-200-00010	16,200	
Program Total			16,200	
<u>Evaluation, & Development Project Grants</u>				
<i>Direct Assistance</i>				
Solving Cold Cases with DNA	16.560	2008-DNBX-K170	225,402	
Cold Case Squad 2010	16.560	2010DNBXK002	3,100	
Program Total			228,502	
<u>Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants</u>				
<i>Direct Assistance</i>				
2007 Gang Abatement	16.580	2007-DD-BX-0599		
2008 Gang Abatement	16.580	2008-DD-BX-0657	173,599	
Direct Assistance			173,599	
Program Total			173,599	
<u>Drug Court Discretionary Grant Program</u>				
<i>Direct Assistance</i>				
Drug Court Mental Health Counseling Project	16.585	2009-DC-BX-0080	28,053	
Program Total			28,053	
<u>Violence Against Women Formula Grants</u>				
<i>Indirect Assistance through Washington State Dept of Commerce</i>				
Improving CPS involving Domestic Violence	16.588	IAA09652	4,983	
Stop Violence Against Women	16.588	2009-WF-AX-0004	26,740	
Stop Violence Against Women	16.588	F09-31103-037	48,475	
Stop Violence Against Women	16.588	2009-WF-AX-0004	46,398	
Stop Violence Against Women	16.588	2010-WF-AX-0021	20,365	
Stop Violence Against Women	16.588	F10-31103-145	21,353	
Program Total			168,314	
<u>ARRA Violence Against Women Formula Grant</u>				

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Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<i>Indirect Assistance through WA Administrative Office of the Courts Office of the Courts</i>				
ARRA Violence Against Women Grant	16.588	IAA09648	17,490	(5)
Program Total			17,490	
<u>State Criminal Alien Assistance Program</u>				
<i>Direct Assistance</i>				
State Criminal Alien Assistance Program (SCAAP)	16.606	2010-AP-BX-0357	1,003,050	
Program Total			1,003,050	
<u>Bulletproof Vest Partnership Program</u>				
<i>Direct Assistance</i>				
Bullet Proof Vest	16.607	2010-BOBX-10051133	6,235	
Bullet Proof Vest	16.607	2008-BOBX-08041921	5,443	
Program Total			11,678	
<u>Public Safety Partnership and Community Policing Grants</u>				
<i>Direct Assistance</i>				
COPS FY2007 Methamphetamine Initiative	16.710	2007-CKWX-0272	17,726	
Safe Schools Initiative 2009 (PAL 5)	16.710	2009-CKWX-0643	149,972	
Safe Schools Initiative 2009 (PAL 4)	16.710	2008-CKWX-0852	102,678	
Direct Assistance			270,376	
<i>Indirect Assistance through WA State Dept of Commerce</i>				
Community Mobilization Program - Meth Init	16.710	M08-66100-117 B	4,977	
Community Mobilization Program - Meth Init	16.710	M08-66100-117 C	1,123	
Indirect Assistance			6,100	
Program Total			276,476	
<u>Edward Byrne Memorial Justice Assistance Grant Program</u>				
<i>Direct Assistance</i>				
Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-BX-1183	(14,933)	
Byrne Memorial Justice Assistance Grant	16.738	2007-DJ-BX-0935	120,206	
Byrne Memorial Justice Assistance Grant	16.738	2008-DJ-BX-0629	89,382	
Prosecutorial Suppt. Of Gangs, Drugs and Violence	16.738	F10-34021-033	75,934	
Gang Enforcement	16.738	F10-34021-042	50,000	
Program Total			320,589	

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Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>Paul Coverdell Forensic Sciences Improvement Grant Program</u>				
<i>Direct Assistance</i>				
Coverdell	16.742	2010-CD-BX-0094	8,224	
		Program Total	8,224	
<u>Congressionally Recommended Awards</u>				
<i>Direct Assistance</i>				
Gang Abatement 2009	16.753	2009-DI-BX-0219	246,998	
Gang Abatement 2010	16.753	2010-DD-BX-0660	237	
		Program Total	247,235	
<u>ARRA - Edward Byrne Memorial Justice Assistance - Grants to States & Territories</u>				
<i>Indirect Assistance through Washington State Department of Commerce</i>				
ARRA Special Emphasis Gang Initiative	16.803	F09-34721-421	23,594	(5)
ARRA Prosecution Restoration	16.803	F09-34721-041	460,000	(5)
ARRA Anti Gang Prosecution	16.803	F09-34721-410	131,601	(5)
		Program Total	615,195	
<u>ARRA - Edward Byrne Memorial Justice Assistance - Grants to Units of Local Govt</u>				
<i>Indirect Assistance through City of Seattle Police Department</i>				
ARRA - 2009 Recovery Act JAG Program	16.804	2009-SB-B9-0769	45,587	(5)
		Program Total	45,587	
		Agency Total	3,574,664	
<u>DEPARTMENT OF LABOR</u>				
<u>WIA Adult Program</u>				
<i>Indirect Assistance through Seattle-King County Workforce Development Council</i>				
WIA Operator Consortium	17.258	O9KNG-321-OPR	84,227	
WIA Operator Consortium	17.258	10/161-OPR	149,523	
		Program Total	233,750	

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Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>WIA Youth Activities</u>				
<i>Indirect Assistance through Seattle-King County Workforce Development Council</i>				
WIA Out of School Youth-PY09/10	17.259	Y9KNG-103-WYO	494,314	
WIA Out of School Youth-PY10/11	17.259	10/142-WYO	563,074	
WIA Out of School Youth Shoreline LCN PY10/11	17.259	10/142-WYO	156,069	
WIA In School Youth PY09/10	17.259	Y9KNG-104-WYI	50,205	
WIA In School Youth PY10/11	17.259	10-143-WYI	375,075	
Program Total			1,638,737	
<u>ARRA - WIA Youth Activities</u>				
ARRA WIA Out of School Youth	17.259	Y9KNG-852-WYO	123,735	(5)
ARRA Pathway Out of Poverty PY10/11	17.259	10/501-POP	128,647	(5)
Program Total			252,382	
<u>WIA Dislocated Workers</u>				
<i>Indirect Assistance through Seattle-King County Workforce Development Council</i>				
WIA Dislocated Worker Formula Program	17.260	10/121-WDW	463,792	
WIA Dislocated Worker Formula Program	17.260	D9KNG-221-WDW	525,364	
WIA Rapid Response Assistance	17.260	D8KNG-251-DWR	28,589	
WIA Incentive Framework	17.260	T9KNG-428-FRA	18,870	
WIA Operator Consortium	17.260	O9KNG-321-OPR	168,454	
WIA Operator Consortium	17.260	10/161-OPR	299,046	
Indirect Total			1,504,115	
<u>ARRA - WIA Dislocated Workers</u>				
ARRA - WIA Dislocated Worker	17.260	D9KNG-251-DWR	583,149	(5)
Program Total			2,087,264	
<u>WIA Pilots, Demonstrations and Research Projects</u>				
<i>Indirect Assistance through WA State Dept of Social and Health Sciences</i>				
Juvenile Rehab Administration	17.261	1063-75411	1,076,497	
LEAP - Connection Specialist & Mentoring	17.261	1063-74131	151,294	
Program Total			1,227,791	
<u>WIA Pilots, Demonstrations and Research Projects</u>				
<i>Indirect Assistance through Seattle-King County Workforce Development Council</i>				
Youthful Offender Grant	17.261	Y9SUP-651-OFF	61,922	
Program Total			61,922	

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<u>H-1B Job Training Grants</u>				
<i>Indirect Assistance through Seattle-King County Workforce Development Council</i>				
WIA Mature Worker	17.268	T9KNG-475-ROW	68,793	
WIA Aging Worker Initiative	17.268	10/526-ROW	5,262	
Program Total			74,055	
<u>Youthbuild</u>				
<i>Direct Assistance</i>				
Youthbuild Program	17.274	YB-16886-08-60-A-53	246,136	
Program Total			246,136	
<u>ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth & Emerging Industry Sectors</u>				
<i>Indirect Assistance through Seattle-King County Workforce Development Council</i>				
ARRA Pathway out of Poverty Grant PY10/11	17.275	10/501-POP	32,162	(5)
Program Total			32,162	
Agency Total			5,854,199	
<u>DEPARTMENT OF TRANSPORTATION</u>				
<u>Airport Improvement Program</u>				
<i>Direct Assistance</i>				
Airport IP (Noise Sound Insulation Program)	20.106	3-53-0058-36	471,463	
Airport IP (Safety Management System)	20.106	3-53-0058-38	42,264	
Airport IP (Taxiway Alpha Rehabilitation)	20.106	3-53-0058-39	141,146	
Airport Improvement Program/Noise Mitigation for 87 Residences within 70-74 DNL	20.106	3-53-0058-40	3,303,608	
Taxiway Alpha Rehabilitation (Phase 2)	20.106	3-53-0058-41	619,069	
Airport Improvement Program/Noise Mitigation for 84 Residences within 70-74 DNL	20.106	3-53-0058-42	532,937	
Program Total			5,110,487	

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Grantor / <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>Highway Planning and Construction</u>				
<i>Indirect Assistance through Washington State</i> <i>Department of Transportation</i>				
Transportation Enhancement Program (Cultural Resources				
Protection Plan)	20.205	STPE-2017(093)	91,485	
Green River Trail Phase II	20.205	CM-2017(108)	6,760	
RSIP - NE Novelty Hill Road	20.205	RSIP-9917(013)	7,969	
RSIP - SE Lake Holm Road	20.205	RSIP-9917(013)	5,012	
HSIP - 100TH Avenue NE	20.205	HSIP-2201(006)	199,500	
HRRRP - Run Off Road Safety	20.205	HRRRP-000S (238)	69,903	
Federal Bridge Grant - Sylvester Rd Bridge	20.205	BHM-11335(004)	376,544	
Federal Bridge Grant - Sunday Creek Bridge	20.205	BROS-2017(107)	142,704	
Federal Bridge Grant - Bandaret Bridge	20.205	BRS-172N(001)	164,192	
Value Pricing Pilot Program	20.205	VPPP-2006(52)	12,165	
STP/FAUS Road Grant - South Park Bridge	20.205	DBP-STPUL-1491(001)	4,423,284	
STP/FAUS Road Grant - ITS @ Roxbury	20.205	CM-1147(012)	117,565	
STP/FAUS Road Grant - 100 & 132 Ave ITS	20.205	CM-2085(004)	155,770	
STP/FAUS Road Grant - Woodinville-Duvall Rd	20.205	STPUL-2456(002)	209,715	
Regional ITS Implementation Plan	20.205	ITS-2004(046)	22,781	
STP/FAUS Road Grant - Avondale Novelty Hill Rd	20.205	ITS-2004(046)	25,761	
STP/FAUS Road Grant - S 277 ST ITS & SR 167	20.205	ITS-2004(046)	5,371	
STP/FAUS Road Grant - Safe Wildlife / Community	20.205	STPE-2094(001)	252,041	
NWRM Collection Stabilization Center	20.205	STPE-2017(103)	678	
2008 Historic & Scenic Corridor Inventory & Eval	20.205	STPE-2017(089)	24,569	
<i>Indirect Assistance through Western Federal Lands</i>				
Emergency Relief for Federally Owned Roads	20.205	DTFH70-09-E-00007	268,340	
Emergency Relief for Federally Owned Roads	20.205	DTFH70-09-E-00007	202,055	
Emergency Relief for Federally Owned Roads	20.205	DTFH70-09-E-00007	16,985	
Emergency Relief for Federally Owned Roads	20.205	DTFH70-09-E-00007	440,484	
Emergency Relief for Federally Owned Roads	20.205	DTFH70-09-E-00007	2,238	
Program Total			7,243,871	
<u>ARRA - Highway Planning and Construction</u>				
<i>Indirect Assistance through Washington State</i> <i>Department of Transportation</i>				
ARRA - HP&C SW 98th St Phase I Pedestrian Connector	20.205	ARRA-STPE-2017(090)	83,464	(5)
Program Total			83,464	
<u>Federal Transit Capital Investment Grants</u>				
<i>Direct Assistance</i>				
FTA Capital Investment Grants	20.500	WA-03-0135	19,994	
FTA Capital Investment Grants	20.500	WA-05-0047	1,089,744	
FTA Capital Investment Grants	20.500	WA-03-0236	1,719,973	
FTA Capital Investment Grants	20.500	WA-04-0009	1,188,000	
FTA Capital Investment Grants	20.500	WA-04-0032	12,827	
FTA Capital Investment Grants	20.500	WA-04-0014	42,134	
FTA Capital Investment Grants	20.500	WA-04-0021	41,901	
FTA Capital Investment Grants	20.500	WA-03-0243	1,425,444	
FTA Capital Investment Grants	20.500	WA-05-0051	5,000,000	
Program Total			10,540,017	

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Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>Federal Transit Formula Grants</u>				
<i>Direct Assistance</i>				
Federal Transit Formula Grants	20.507	WA-90-X194	987	
Federal Transit Formula Grants	20.507	WA-90-X209	65,611	
Federal Transit Formula Grants	20.507	WA-90-X219	24,182	
Federal Transit Formula Grants	20.507	WA-90-X254	991,764	
Federal Transit Formula Grants	20.507	WA-90-X256	32,978	
Federal Transit Formula Grants	20.507	WA-90-X262	-	
Federal Transit Formula Grants	20.507	WA-90-X321	192,137	
Federal Transit Formula Grants	20.507	WA-90-X323	96,724	
Federal Transit Formula Grants	20.507	WA-90-X363	114,490	
Federal Transit Formula Grants	20.507	WA-90-X377	798,215	
Federal Transit Formula Grants	20.507	WA-90-X380	1,080	
Federal Transit Formula Grants	20.507	WA-90-X381	1,867,785	
Federal Transit Formula Grants	20.507	WA-90-X405	512,428	
Federal Transit Formula Grants	20.507	WA-90-X409	237,133	
Federal Transit Formula Grants	20.507	WA-90-X443	46,042,856	
Federal Transit Formula Grants	20.507	WA-90-X455	2,725,704	
Federal Transit Formula Grants	20.507	WA-95-X005	719,749	
Federal Transit Formula Grants	20.507	WA-95-X018	1,651	
Federal Transit Formula Grants	20.507	WA-95-X027	208,823	
Program Total			54,634,297	
<u>Public Transportation Research</u>				
<i>Direct Assistance</i>				
5313 Transportation Coop. Research	20.514	WA-26-0020	111,711	
Program Total			111,711	
<u>Job Access Reverse Commute</u>				
<i>Direct Assistance</i>				
FTA- Jobs Access/Reverse Commute	20.516	WA-37-X001	87,779	
FTA- Jobs Access/Reverse Commute	20.516	WA-37-X021	5,618	
FTA- Jobs Access/Reverse Commute	20.516	WA-37-X034	88,231	
Program Total			181,628	
<u>Interagency Hazardous Materials Public Sector Training and Planning Grants</u>				
<i>Indirect Assistance through Washington State Military Department</i>				
FFY Hazardous Material Emergency Preparedness (HMEP)	20.703	E10-193	4,802	
Program Total			4,802	
Agency Total			77,910,277	

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Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
<u>Surveys, Studies, Research, Investigations, Demonstrations & Special Purpose Activities Relating to the Clean Air Act</u>				
<i>Direct Assistance</i>				
Northwest Hybrid Truck Consortium	66.034	XA-96041301-0	70,000	
Program Total			70,000	
<u>West Coast Estuaries Initiative</u>				
<i>Indirect Assistance through Puget Sound Regional Council</i>				
West Cost Estuaries Initiative	66.119	2010-04	15,295	
Program Total			15,295	
<i>Direct Assistance</i>				
King County Monitoring for Adaptive Management	66.120	PO-00J09801-1	165,694	
King County Stormwater Retrofit Plan	66.120	PO-00J08901-1	176,787	
King County Riparian Buffers	66.120	PO-00J08401-0	52,191	
Puget Sound Watershed Management Assistance	66.120	PO-00J09001-0	4,795	
Program Total			399,467	
<i>Direct Assistance</i>				
Modeling PCB/PBDE Loadings Reduction Scenarios for the Lake Washington Watershed	66.123	PC-00J28501-0	12,616	
Enhancement and Standardization of Benthic Macroinvertebrate Monitoring and Analysis Tools	66.123	PC-00J28401-0	4,609	
Program Total			17,225	
<u>Construction Grants for Wastewater Treatment Works</u>				
<i>Direct Assistance</i>				
West Point Waste to Energy	66.418	C53-0585-03-6	1,410,111	
Program Total			1,410,111	
<u>Water Pollution Control State, Interstate, and Tribal Program Support</u>				
<i>Indirect Assistance through Washington State Department of Ecology</i>				
WPC Program Support	66.419	C1000268	8,986	
Program Total			8,986	

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<u>Targeted Watersheds Grants</u>				
Targeted Watershed Grant				
	66.439	WS-96074801-2	877,250	
		Program Total	877,250	
<u>National Estuary Program</u>				
<i>Indirect Assistance through WA Dept of Ecology</i>				
Toxic Steering Committee	66.456	C1000228	14,381	
Toxic Steering Committee	66.456	C1000277	47,597	
		Program Total	61,978	
<u>Capitalization Grants for Clean Water State Revolving Funds</u>				
<i>Indirect Assistance through Washington State Department of Ecology</i>				
Barton CSO Control Project/Facilities Plan	66.458	SRF LOAN L0600013	262,172	
		Program Total	262,172	
<u>Capitalization Grants for Drinking Water State Revolving Funds</u>				
<i>Indirect Assistance through Washington State Department of Health</i>				
CC-Fed-Grp Drink a DW Tech Asst	66.468	C14961	2,250	
CC-Fed-Grp a DW San Surv	66.468	C14961	3,500	
		Program Total	5,750	
<u>Beach Monitoring and Notification Program Implementation Grants</u>				
<i>Indirect Assistance through WA St Dept of Health</i>				
CC-FED-Beach Water Project	66.472	C14961	22,000	
		Program Total	22,000	
<u>Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies</u>				
<i>Direct Assistance</i>				
Elevated Blood Lead Trends and Incidence Study	66.716	X8-960066101-0 and X8-960066101-1	27,310	
		Program Total	27,310	

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<u>Brownfield Job Training Cooperative Agreements</u>				
<i>Direct Assistance</i>				
Brownfield Job Training Cooperative	66.815	JT-96069401-0	73,530	
Brownfield Job Training Cooperative	66.815	JT-00J24801-0	33,380	
Program Total			106,910	
<u>Brownfield Assessment and Cleanup Cooperative Agreements</u>				
<i>Direct Assistance</i>				
Brownfields Assessment Grant	66.818	BF 960153-02-0	20,418	
Brownfields Assessment Grant	66.818	BF 00J26801-0	16,523	
Program Total			36,941	
Agency Total			3,321,395	
<u>DEPARTMENT OF ENERGY</u>				
<u>ARRA - Conservation Research and Development</u>				
<i>Indirect Assistance through Puget Sound Clean Cities</i>				
ARRA-Pgt Sound Clean Cities Petroleum Reduction	81.086	DE-EE0002020	127,560	(5)
ARRA-Pgt Sound Clean Cities Petroleum Reduction				
Program Total			127,560	
<u>ARRA - Energy Efficiency and Conservation Block Grant</u>				
<u>Program (EECBG)</u>				
<i>Direct Assistance</i>				
ARRA-EECBG Permit Application Energy Effic & Sust	81.128	DE-EE0000-854	37,583	(5)
ARRA-EECBG Transition to Hybrid Vehicle Utilization	81.128	DE-EE0000-854	190,365	(5)
ARRA-EECBG	81.128	DE-EE0000-854	11,166	(5)
ARRA-EECBG Senior City Affordable Housing	81.128	DE-EE0000-854	21,947	(5)
ARRA-EECBG Black River Bldg LEED upgrades	81.128	DE-EE0000-854	79,862	(5)
ARRA-EECBG Regional Justice Ctr Phase II ESCO	81.128	DE-EE0000-854	62,508	(5)
ARRA-EECBG Earlington Bldg upgrades	81.128	DE-EE0000-854	64,111	(5)
ARRA-EECBG RSD Energy Efficiency Strategy	81.128	DE-EE0000-854	32,724	(5)
ARRA-EECBG Novelty Hill Road ITS	81.128	DE-EE0000-854	43,400	(5)
ARRA-EECBG	81.128	DE-EE0000-854	617,874	(5)
ARRA-EECBG West Point Pre-Aeration Blowers	81.128	DE-EE0000-854	148,353	(5)
ARRA-EECBG	81.128	DE-EE0000-854	183,956	(5)
Program Total			1,493,849	
Agency Total			1,621,409	

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<u>DEPARTMENT OF EDUCATION</u>				
<u>Special Education - Grants for Infants and Families</u>				
<i>Indirect Assistance through WA St Dept of Health</i>				
Child Profile - Fed ITEIP	84.181	N13255	8,982	
Program Total			8,982	
<u>Safe and Drug-Free Schools and Communities</u>				
<i>Indirect Assistance through WA State Dept of Commerce Commerce</i>				
Community Mobilization Program	84.186	M08-66100-117 B	200,410	
Community Mobilization Program	84.186	M08-66100-117 C	19,546	
Program Total			219,956	
<u>Special Education - Grants for Infants and Families, Recovery Act</u>				
ARRA - DDD FEDERAL ARRA PROGRAMS	84.393		12,500	(5)
Program Total			12,500	
Agency Total			241,438	
<u>U.S. ELECTION ASSISTANCE COMMISSION</u>				
<u>Help America Vote Act Requirements Payments</u>				
<i>Indirect Assistance through the Office of the Secretary of State</i>				
HAVA Amendment 1 - DAVE	90.401	G - 2842	-	
HAVA Amendment 8 - Mail Ballot Tracking	90.401	G - 2842	12,290	
HAVA Amendment 9 - Tabulation Upgrade	90.401	G - 2842	500,000	
HAVA Amendment 11 - SOE Management Software	90.401	G - 2842	259,120	
HAVA Amendment 12 - Voter Education & Outreach	90.401	G - 2842	265,664	
HAVA Amendment 13 - County Education Fund	90.401	G - 2842	37,074	
HAVA Amendment 16 - HD Scanner Tables	90.401	G - 2842	7,500	
HAVA Amendment 17 - Portable PA Systems	90.401	G - 2842	2,802	
Agency Total			1,084,450	

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<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<u>Innovations in Applied Public Health Research</u>				
<i>Indirect Assistance through Univ of Washington</i>				
SMS Text Messaging	93.061	5 PO1 TP 00297-03	254,762	
UW-NWPERRC-CDC COTPER	93.061	674149	25,000	
CDC MEDICAID ASTHMA STUDY	93.061	1R18EH000537-01, 5R18EH000537-02	334,849	
CDC Hier-Sub	93.061	584949	5,123	
Program Total			619,734	
<u>Public Health Emergency Preparedness</u>				
<i>Indirect Assistance through WA St Dept of Health</i>				
CC-FED-PHEPR H1N1	93.069	C14961	4,059,351	
CC-FED-PHEPR LHJ Funds	93.069	C14961	1,528,897	
Program Total			5,588,248	
<u>Healthy Marriage Promotion & Responsible Fatherhood Grants</u>				
<i>Direct Assistance</i>				
Circle of Parents	93.086	90FR0098	36,690	
Program Total			36,690	
<u>Maternal and Child Health Federal Consolidated Program</u>				
<i>Indirect Assistance through WA St Dept of Health</i>				
CC-FED-CSHCN EPILEPSY	93.110	C14961	1,500	
Program Total			1,500	
<u>Environmental Health</u>				
<i>Direct Assistance from National Institute of Environmental Health Sciences</i>				
Home Base (Asthma Support & Educ for Adults)	93.113	1R01ES014583-01A1	543,211	
High Point Neighborhood House	93.113	NH314-03-4	-	
Program Total			543,211	

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<u>Project Grants and Cooperative Agreements for Tuberculosis Control Programs</u>				
<i>Indirect Assistance through Washington State Department of Health</i>				
CC-FED Tuberculosis Control/Elimination	93.116	C14961	308,522	
<i>Indirect Assistance through US Dept of Commerce Office of General Counsel</i>				
DEATH REVIEW DHHA	93.116	E2465B-2	109,175	
Program Total			417,697	
<u>Centers for Research and Demonstration for Health Promotion and Disease Prevention</u>				
<i>Indirect Assistance through CDC & UW</i>				
Physical Policy Research Network (PAPRN)	93.135	960466		
FALLS PREVENTION PILOT	93.135	704033, 685188	31,998	
UW-PAPH	93.135	579355	13,901	
UW - Older Adults - ARCNW	93.135	676534, 405192	7,500	
<i>Indirect Assistance through WA St Dept of Health</i>				
CC-FED-CDC COLON SCREEN	93.135	C14961	298,924	
Program Total			352,323	
<u>Projects for Assistance in Transition from Homelessness (PATH)</u>				
<i>Indirect Assistance through Washington State Department of Social and Health Services</i>				
MH-McKinney-PATH	93.150	0969-73210	94,364	
MH-McKinney-PATH	93.150	0969-73214	100,164	
MH-McKinney-PATH	93.150	1069-11403	28,213	
MH-McKinney-PATH	93.150	1069-11404	31,580	
Program Total			254,321	
<u>Coordinated Services and Access to Research for Women, Infants, Children, and Youth</u>				
<i>Direct Assistance</i>				
Title IV Services HRSA - AIDS - PEDS	93.153	5 H12 HA 00045-22-00	952,968	
Program Total			952,968	

The accompanying Notes to the Schedule of Expenditures are an integral part of this schedule

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Schedule 16

Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>Family Planning Services</u>				
<i>Indirect Assistance through Washington State Department of Health</i>				
CC-FED-TX RX Contraception	93.217	C14961	19,930	
CC-FED FP TX Supp Seattle	93.217	C14961	78,525	
CC-FED-FP Title X	93.217	C14961	475,737	
Program Total			574,192	
<u>Consolidated Health Centers - Health Care for the Homeless</u>				
<i>Direct Assistance</i>				
FED 330H-Healthcare for the Homeless	93.224	H80CS00056	2,062,586	
Program Total			2,062,586	
<u>Grants for Dental Public Health Residency Training</u>				
<i>Indirect Assistance through State of WA Public Health</i>				
CC-FED-HRSA DENTAL NETWRK	93.236	C14961	33,333	
Program Total			33,333	
<u>Substance Abuse and Mental Health Services - Projects of Regional and National Significance</u>				
<i>Direct Assistance</i>				
Assertive Adolescent & Family Treatment Project 3	93.243	1H79TI020847-01	148,163	
Assertive Adolescent & Family Treatment Project 3	93.243	1H79TI020847-02	79,665	
Juvenile Drug Court Enhancement Project	93.243	1H79TI022856-01	101,172	
Recovery Oriented System of Care	93.243	1H79TI022126-01	17,024	
Assertive Adolescent & Family Treatment Project 4	93.243	1H79TI023202-01	52,617	
Direct Assistance			398,641	
<i>Indirect Assistance through WA State DSHS</i>				
CC-FED-TA- SBH DSHS MLKTH	93.243	C14961	-	
Trauma Informed Care	93.243	1H79SM060121-01	43,288	
Trauma Informed Care	93.243	1H79SM060121-01	68,332	
Recovery Training & Consultation	93.243	1069-98705	20,000	
Indirect Assistance			131,620	
Program Total			530,261	

The accompanying Notes to the Schedule of Expenditures are an integral part of this schedule

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Schedule 16

Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>Immunization Grants</u>				
<i>Indirect Assistance through Washington State Department of Health</i>				
CC-FED-Immunization 317	93.268	C14961	384,835	
Child Profile - Fed Imms - \$\$	93.268	N13255	911,562	
CC-FED-Immunization AFIX	93.268	C14961	116,623	
Program Total			1,413,020	
<u>Substance Abuse and Mental Health Services - Access to Recovery</u>				
<i>Indirect Assistance through WA State Department of Social and Health Services</i>				
CSAT - Access to Recovery	93.275	0963-73587	459,735	
Program Total			459,735	
<u>Centers for Disease Control and Prevention Investigations and Technical Assistance</u>				
<i>Direct Assistance</i>				
CDC - REACH US	93.283	5U58DP001058-03	414,444	
Direct Assistance			414,444	
<i>Indirect Assistance through Washington State Department of Health</i>				
CC-FED-PH Emergency Prep.	93.283	C14961	550	
Hazardous Algae Blooms (HABs) within King, Snohomish and Pierce Counties	93.283	N18060	98,278	
CC-FED-VARHS HIV RESIST	93.283	C14961	150,645	
CC-FED Tobacco CDC	93.283	C14961	124,948	
CC-FED-DIABETES PREVN CDC	93.283	C14961	10,000	
CC-FED-NW STROKE NETWORK	93.283	C14961	16,167	
CC-FED-CDC ONLINE DISPATCH	93.283	C14961	4,000	
CC-FED-DOH-WBCHP	93.283	C14961	1,200,434	
Indirect Assistance			1,605,022	
<i>Indirect Assistance through National Association of County & City Health Officials</i>				
NACCHO ADVANCED ASSESSMENT	93.283	2009-100105,2010-092005. MRC080503	579,998	
Indirect Assistance			2,185,020	
Program Total			2,599,464	

The accompanying Notes to the Schedule of Expenditures are an integral part of this schedule

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Schedule 16

Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>Minority Health and Health Disparities Research</u>				
<i>Direct Assistance from Neighborhood House</i>				
Partnership for Healthy Living - Margin	93.307	NH325-09-2, NH325-10-2	74,099	
Program Total			74,099	
<u>Child Support Enforcement</u>				
<i>Indirect Assistance through WA State Department of Social and Health Services</i>				
DSHS - Child Support Enforcement	93.563	75-1501-0-1-609	2,442,516	
DSHS - Child Support Enforcement	93.563	1063-77213	392,120	
DSHS - Child Support Enforcement	93.563	75-1501-0-1-609	3,658,583	
DSHS - Child Support Enforcement	93.563	75-1501-0-1-609	512,682	
DSHS - Child Support Enforcement	93.563	0963-69320	495,514	
Program Total			7,501,415	
<u>Child Support Enforcement Research</u>				
<i>Indirect Assistance through WA State Department of Social and Health Services</i>				
Focus on Children Grant	93.564	1063-90588	818	
Focus on Children Grant	93.564	1063-13377	1,335	
Program Total			2,153	
<u>Child Care and Development Block Grant</u>				
<i>Indirect Assistance through Washington State Department of Health</i>				
CC-FED HCCW Infant/Toddler	93.575	C14961	125,000	
Department of Early Learning Partnership	93.575	73878900	2,755	
Program Total			127,755	
<u>Head Start</u>				
<i>Indirect Assistance through Children's Home Society</i>				
CHSW/Early Headstart	93.600	CHSW-EHS	14,830	
CHSW/Early Headstart	93.600	CHSW-EHS	7,715	
Program Total			22,545	
<u>Voting Access for Individuals with Disabilities</u>				
<i>Indirect Assistance through Office of Secy of State</i>				
Mobile Sign Posts	93.617	G-10/327	1,408	
Outreach Toolkit	93.617	G-4276	400	
Program Total			1,808	
<u>ARRA - Health Center Integrated Services Development Initiative</u>				

The accompanying Notes to the Schedule of Expenditures are an integral part of this schedule

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Schedule 16

Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<i>Direct Assistance</i>				
ARRA-HHS-HRSA-STIMULUS	93.703	H8BCS11886 & C81CS13768	424,643	(5)
			Program Total	424,643
<u>ARRA - Head Start</u>				
<i>Indirect Assistance through Children's Home Society</i>				
ARRA -CHSW Head Start	93.708	CHSW EHS	1,000	(5)
			Program Total	1,000
<u>ARRA - Early Head Start</u>				
<i>Indirect Assistance through Children's Home Society</i>				
ARRA -CHSW/Early Head Start	93.709	CHSW-EHS ARRA	11,920	(5)
ARRA -CHSW/Early Head Start Expansion	93.709	CHSW-EHS Expansion	15,952	(5)
			Program Total	27,872
<u>ARRA - Immunization</u>				
<i>Direct Assistance</i>				
ARRA - IMMUNIZATION- CC-FED	93.712	C14961	85,318	(5)
<i>Indirect Assistance through Washington State Department of Health</i>				
ARRA-CHILD PROFILE-REACH	93.712	N13255	152,119	(5)
			Program Total	237,437
<u>ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement</u>				
<i>Direct Assistance</i>				
ARRA - HEAL	93.724	1U58DP002423-01	2,710,848	(5)
ARRA - TOBACCO	93.724	1U58DP002422-01	1,524,192	(5)
			Program Total	4,235,040

The accompanying Notes to the Schedule of Expenditures are an integral part of this schedule

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Schedule 16

Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>Medical Assistance Program</u>				
<i>Indirect Assistance through Washington State Department of Social and Health Services</i>				
DSHS-Local Reimb Mam Exp	93.778	DSHS 0963-53331	10,731,573	
Title XIX - Medicaid Administrative Match	93.778	0563-75892-02	958,421	
Program Total			11,689,994	
<u>Cardiovascular Diseases Research</u>				
<i>Indirect Assistance through NIH & UW</i>				
AED Home Training Study for High Risk Patients	93.837	871430	16,686	
ROC Website Training Modules	93.837	UW PO # 118717	2,000	
CV Health Research	93.837	530420	27,957	
Indirect Assistance			46,643	
Program Total			46,643	
<u>Allergy, Immunology and Transplantation Research</u>				
<i>Indirect Assistance through NIH Infectious Diseases Research Institute</i>				
STD Expedited Partner Treatment	93.855	436316	65,781	
Program Total			65,781	
<u>Microbiology and Infectious Diseases Research</u>				
<i>Indirect Assistance through NIH</i>				
Regional RCE: Emergency Response Plan	93.856	658997, 687151	148,566	
Program Total			148,566	
<u>National Bioterrorism Hospital Preparedness Program</u>				
<i>Direct Assistance</i>				
Public Health Emergency Response	93.889	61306503	46,000	
Direct Assistance			46,000	
<i>Indirect Assistance thru WA State Dept of Health</i>				
CC-FED-PHEPR ASPR PAN FLU	93.889	C14961	304,719	
CC-FED-PHEPR HC SYSTEM	93.889	C14961	637,506	
Indirect Assistance			942,225	
Program Total			988,225	

The accompanying Notes to the Schedule of Expenditures are an integral part of this schedule

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Schedule 16

Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>HIV Emergency Relief Project Grants</u>				
<i>Direct Assistance</i>				
HRSA Ryan White-Title I AIDS-I-S	93.914	6 H89 HA00022-18-00	244,991	
HRSA Ryan White-Title I AIDS-I-S		H3MHA08438-03-00		
	93.914	H3MHA08438-03-01,6 H89 HA00022-18-00	6,842,439	
Program Total			7,087,430	
<u>HIV Prevention Activities - Health Department Based</u>				
<i>Indirect Assistance through Washington State Department of Health</i>				
JHS HIV PREVENTION	93.940	C14961	578	
CC-FED HIV/AIDS Contracts	93.940	C14961	1,091,120	
Program Total			1,091,698	
<i>Indirect Assistance through Washington State Department of Health</i>				
CC FED-HIV Never In Care	93.944	C14961	82,528	
CC-FED HIV Morbid Monitor	93.944	C14961	338,069	
CC Fed Behavioral Surveillance	93.944	C14961	448,334	
CC-FED-Estimated HIV	93.944	C14961	267,263	
Indirect Assistance			1,136,194	
Program Total			1,136,194	
<u>Block Grants for Community Mental Health Services</u>				
<i>Indirect Assistance through Washington State Department of Social and Health Services</i>				
MH-Federal Block Grant, RSN Agrmt	93.958	1069-12020	464,004	
MH-Federal Block Grant, RSN Agrmt	93.958	1069-73246-1	1,442,686	
Program Total			1,906,690	
<u>Block Grants for Prevention and Treatment of Substance Abuse</u>				
<i>Indirect Assistance through Washington State Department of Social and Health Services</i>				
SAPT Grant in Aid	93.959	0963-68039	1,674,021	
SAPT Grant in Aid	93.959	0963-68039	932,582	
SAPT Grant in Aid	93.959	0963-68039	153,977	
Program Total			2,760,580	

The accompanying Notes to the Schedule of Expenditures are an integral part of this schedule

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Schedule 16

Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>Preventive Health Services - Sexually Transmitted Diseases Control Grants</u>				
<i>Indirect Assistance through Washington State Department of Health</i>				
CC-FED STD SSUN	93.977	C14961	118,918	
Fed-STD-Chlamydia	93.977	C14961	232,563	
FED-STD-CSPS	93.977	C14961	353,918	
CC-FED-Syphilis Elimination	93.977	C14961	303,434	
CC-FED-STD CHLAM EVAL	93.977	C14961		
Program Total			1,008,833	
<u>Preventive Health and Health Services Block Grant</u>				
<i>Indirect Assistance through Washington State Department of Health</i>				
CC-FED PHBG LHD Preventive Health	93.991	C14961	50,000	
Program Total			50,000	
<u>Maternal and Child Health Services Block Grant to the States</u>				
<i>Indirect Assistance through Washington State Department of Health</i>				
CC-FED AIDS SURVEILLANCE	93.994	C14961	419,236	
CC-FED MCHBG MCH	93.994	C14961	1,020,733	
CC-FED CSHCN MCHBG	93.994	C14961	4,842	
Child Profile - Fed MCHBG	93.994	N13255	31,122	
CC-FED-School Based Health	93.994	C14961	89,328	
CC-FED-MIH Prenatal ORMSS	93.994	C14961		
Program Total			1,565,261	
<u>Adolescent Family Life Demonstration Projects</u>				
<i>Indirect Assistance through CHILDREN'S HOME SOCIETY</i>				
CHSW/Next Generation	93.995	CHSW-Next Gen	20,307	
Program Total			20,307	
<u>Bioterrorism Training and Curriculum Development Program</u>				
<i>Indirect Assistance through University of Washington</i>				
EPIDEMIOLOGY - BTCD	93.996	UW990144	9,877	
Program Total			9,877	
Agency Total			58,671,128	

The accompanying Notes to the Schedule of Expenditures are an integral part of this schedule

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Schedule 16

Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
DEPARTMENT OF HOMELAND SECURITY				
<u>Boating Safety Financial Assistance</u>				
<i>Indirect Assistance through WA State Parks and Recreation Commission</i>				
FY 2010 Special Emphasis Boating Grant	97.012	2009-39	27,620	
SFY2011 Marine Law Enforcement Grant	97.012	LE911-196	31,818	
Program Total			59,438	
<u>Flood Mitigation Assistance</u>				
<i>Indirect Assistance through WA State Military Department</i>				
King County 2009 Home Elevation Project / Snoqualmie	97.029	E10-300	75,365	
Program Total			75,365	
<u>Disaster Grants - Public Assistance (Presidentially Declared Disasters)</u>				
<i>Indirect Assistance through WA State Military Department</i>				
County Wide Debris Drop-off - Flood	97.036	033-99033-00/D09-049	6,421	
FEMA, PW 563 v1 'Foster Golf Course'	97.036	PW 563 v1	27,862	
FEMA Event 1817	97.036	PW 1661	78,321	
Presidentially Declared Disasters - JAN09 Road Repair	97.036	FEMA-1817-DR-WA	12,862	
Presidentially Declared Disasters - JAN09 Road Repair	97.036	FEMA-1817-DR-WA	91,967	
Presidentially Declared Disasters - JAN09 Scour Money Crk	97.036	FEMA-1817-DR-WA	10,656	
Presidentially Declared Disasters - JAN09 W/O Money Crk	97.036	FEMA-1817-DR-WA	101,355	
Presidentially Declared Disasters - JAN09 W/O Money Crk	97.036	FEMA-1817-DR-WA	207,088	
Presidentially Declared Disasters - JAN09 N Fork	97.036	FEMA-1817-DR-WA	34,518	
Presidentially Declared Disasters - Money Creek repair	97.036	FEMA-1817-DR-WA	7,575	
Presidentially Declared Disasters - JAN09 137th Ave SW	97.036	FEMA-1817-DR-WA	100,163	
Presidentially Declared Disasters - JAN09 W/O Courtney Rd	97.036	FEMA-1817-DR-WA	59,744	
Presidentially Declared Disasters - JAN09 W/O SE 309th	97.036	FEMA-1817-DR-WA	51,526	
Presidentially Declared Disasters - JAN09 SldRpr Green Vly Rd	97.036	FEMA-1817-DR-WA	37,716	
Presidentially Declared Disasters - #794YC/794YD/792YE	97.036	FEMA-1825-DR-WA	202,614	
Presidentially Declared Disasters	97.036	FEMA-1817-DR-WA	4,459	
FEMA Event 1817	97.036	033-99033-00	8,661	
Indirect Assistance			1,043,508	
Program Total			1,043,508	

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KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Schedule 16

Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>Hazard Mitigation Grant</u>				
<i>Indirect Assistance through WA State Military Department</i>				
FEMA Event 1671	97.039	E09-092	138,136	
King County DR 1734 Elevation Project	97.039	E10-093	540,804	
Phases 1 & 2 - King County Flood Acquisition & Retrofit Project	97.039	E10-141	672,141	
Riverside Mobile Home Park Acquisition	97.039	E10-202	936,569	
King County Fall City Acquisition Project (Driscoll)	97.039	E10-169	360,213	
PW 1602 Ref# M58436 Location: SE Green Valley Rd @ 17904 BURNS CREEK	97.039	D09-049 and 033-99033-00	27,306	
FEMA Event 1734	97.039	E09-219	202,086	
Johnson Pond Embankment Stabilization & Improv	97.039	E09-130	10,564	
Program Total			2,887,819	
<u>Emergency Management Performance Grants</u>				
<i>Indirect Assistance through Washington State Military Department Emergency Management</i>				
FFY10 Emergency Preparedness Grant Program (EMPG)	97.042	E10-325	60,095	
FFY09 Emergency Preparedness Grant Program (EMPG)	97.042	E09-253	144,107	
Program Total			204,202	
<u>Assistance to Firefighters Grant</u>				
Protective Gear - AFG 2008	97.044	EMW-2008-FO-12080	46,632	
Program Total			46,632	
<u>Cooperating Technical Partners</u>				
2009 Cooperating Technical Partners Cooperative Agreement (Coastal Study)	97.045	EMS-2009-GR-0009	190,211	
Program Total			190,211	
<u>Homeland Security Grant Program</u>				
<i>Indirect Assistance through WA State Patrol and Seattle Police Dept</i>				
SPD - UASI	97.067	E09-314	7,944	
<i>Indirect Assistance through WA State Military Department Emergency Management</i>				
FFY 07 UASI	97.067	E08-102	444,088	
FFY 07 SHSP	97.067	E08-196	143,001	
FFY 08 Citizen Corps Program (CCP)	97.067	K460	22,846	
FFY08 State Homeland Security Grant Program (SHSP)	97.067	E09-178	2,713,744	
FFY08 Urban Areas Security Initiative (UASI)	97.067	E09-165	428,005	
FFY 09 UASI	97.067	E10-186	17,614	
FFY 09 SHSP	97.067	E10-215	442,433	
FFY 09 Citizen Corps Program (CCP)	97.067	K696	4,584	
Program Total			4,224,259	

The accompanying Notes to the Schedule of Expenditures are an integral part of this schedule

KING COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Schedule 16

Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Award Identification Number	Total Current Year Expenditures	Notes
<u>Law Enforcement Terrorism Prevention Program</u>				
<i>Indirect Assistance through WA Military Department</i>				
LETPP - Donning & Doffing Drill	97.074	FY07-LETPP-005	51,767	
		Program Total	51,767	
<u>Rail and Transit Security Grant Program</u>				
<i>Indirect Assistance through Washington State Military Department Emergency Management</i>				
FFY06 Transit Security Grant Program	97.075	2006-RL-T6-0008; E07-299	79,795	
FFY06 Transit Security Grant Program	97.075	2006-RL-T6-0008; E07-388	(14,934)	
FFY06 Transit Security Grant Program	97.075	2006-RL-T6-0008; E07-299	144,620	
FFY08 Transit Security Grant Program	97.075	2008-RL-T8-0008; E10-101	679,000	
FFY07 Transit Security Grant Program	97.075	2007-RL-T7-0014; E08-060	3	
Rail and Transit Security Grant Program	97.075	2009-RA-T9-0067	48,840	
		Program Total	937,325	
<u>Regional Catastrophic Preparedness Grant Program (RCPGP)</u>				
<i>Indirect Assistance through Seattle Police Department</i>				
REG CATASTROPHIC PLAN GRT	97.111	E09-097	137,774	
		Program Total	137,774	
<u>ARRA - Rail and Transit Security Grant Program</u>				
<i>Direct Assistance</i>				
ARRA- Rail and Transit Security Grant Program	97.113	2009-RA-R1-0089	787,830	(5)
		Program Total	787,830	
		Agency Total	10,646,130	
<u>State Justice Institute</u>				
<i>Direct Assistance</i>				
Criminal Caseflow Management Project	99.999	SJI-09-T-068	18,000	
		Program Total	18,000	
		Agency Total	18,000	
Regional Catastrophic Preparedness Grant Program (RCPGP)		Federal Total	195,016,516	

The accompanying Notes to the Schedule of Expenditures are an integral part of this schedule

Notes to the Schedule of Expenditures of Federal Financial Assistance

For the Year ended December 31, 2010

(1) Basis of Accounting. The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the county's financial statements. The county's financial statements are prepared on a modified accrual or full accrual basis, depending on the type of fund.

(2) Program Costs. The amounts shown as current year expenditures represent only the federal portion of program costs. The full cost may include state or local funds in addition to the amounts shown.

expenditures may include transfers between programs or repayments of float loans.

(5) American Recovery and Reinvestment Act (ARRA) of 2009 - Expenditures for this program were funded by ARRA.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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